



REIMBURSABLE ADVISORY SERVICES FROM THE WORLD BANK

Building partnerships that create value by matching World Bank expertise with the social and economic priorities of the Russian Federation and its regions



Collaboration between the Russian Federation and the World Bank reached an important 25-year milestone in 2017. The relationship began with comprehensive assistance from the Bank in the form of investment financing, technical assistance, and support for the design and implementation of key structural reforms in major sectors of the Russian economy. It continues today as a mutually beneficial partnership characterized by new programs and modes of cooperation.

With unmatched global experience, the World Bank offers customized technical assistance and knowledge services to clients in Russia—government entities, regions and municipalities, state-owned enterprises, educational institutions, civil society organizations, and others. Among these, reimbursable advisory services (RAS) play an important role in the ongoing partnership.

The World Bank's approach to reimbursable advisory services

Constituting a wide range of services requested and paid for by clients, reimbursable advisory services represent a new approach to collaboration with partner countries. **Since 2007, the World Bank has fulfilled more than 800 requests for reimbursable advisory services in more than 70 countries.**

Who benefits from reimbursable advisory services?

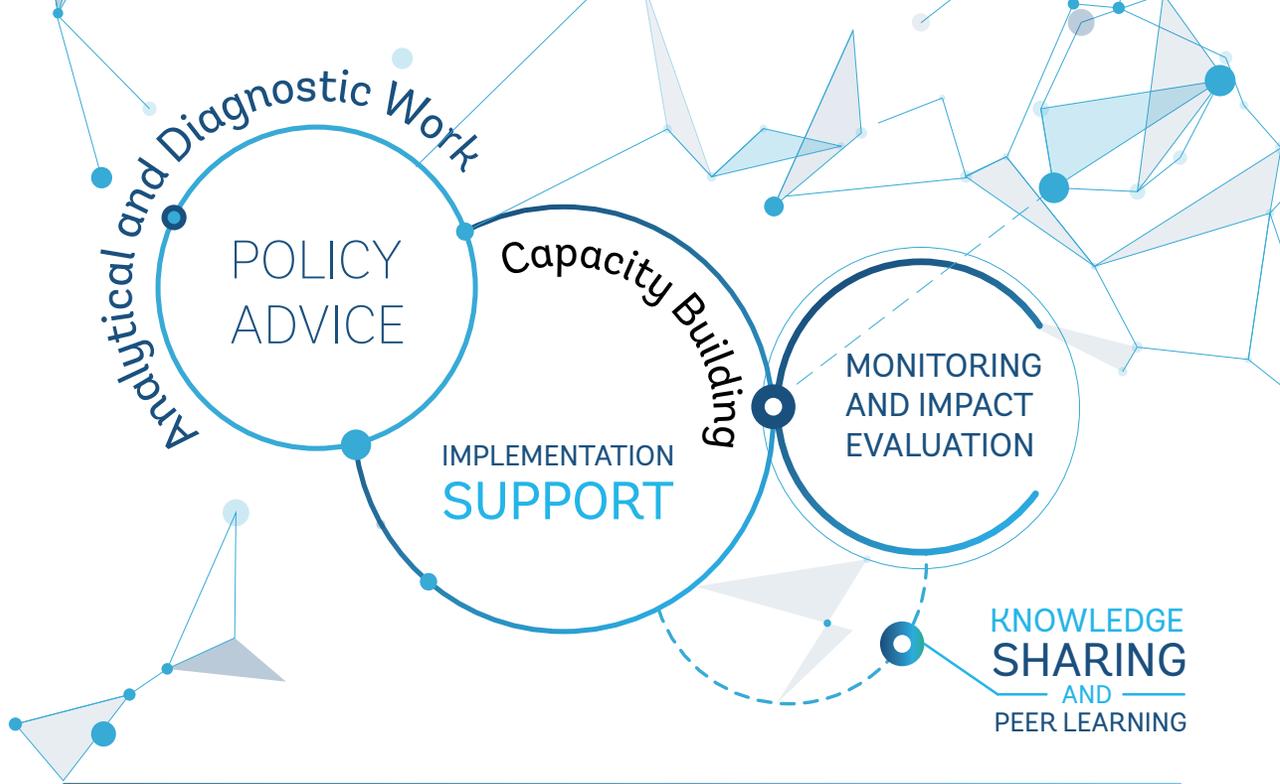
- Governments in the World Bank's member countries, including former borrowers that no longer qualify for the World Bank's lending operations
- Subnational governments, nongovernmental organizations, and other not-for-profit private sector associations (such as business federations and chambers of commerce)
- Multilateral institutions, including other development banks and regional organizations
- State-owned enterprises

What do we offer?

In short, cutting-edge knowledge and analytics integrated with other services. To solve *your* problem, we bring together individuals and organizations with a record of results. The World Bank is unmatched in its ability to convene partnerships with multilateral, regional, and bilateral institutions; government agencies; specialized nongovernmental organizations; private firms; and leading experts in academia and consulting. The Bank's rigorous results-management systems are second to none.

Our customizable packages of advisory services take many forms, including:

- Analytical and diagnostic work
- Policy advice
- Support for program implementation
- Impact evaluation
- Training and capacity building
- Knowledge sharing and peer learning



Our comprehensive array of services, delivered by globally recognized experts skilled in adapting knowledge to local contexts, ensures optimal outcomes. We begin with a careful appraisal of the client’s goals and requirements. From there, we take a cooperative, joint approach to planning and implementation that encompasses analysis, strategy, program design, change management, partnership building, implementation, and rigorous assessment of results.

Governments in many countries benefit from our expert diagnostic experience in conducting public expenditure reviews, investment climate assessments, and sector reviews. They seek help in making and implementing new policies for their health systems, their schools, or their judiciary. Often, they seek to benefit from other countries’ success in opening new frontiers in public-private partnerships, renewable energy, innovation, tourism, or special economic zones. Advisory services from the World Bank have also helped governments expand capacity in areas such as statistics, monitoring and evaluation, and e-government.

The 14 Global Practices of the World Bank Group bring together knowledge and expertise in the sectors vital to economic and social development at the national and subnational levels. Their goal is to solve the toughest global and local development challenges—building an enabling environment for business, strong financial systems, efficient public administration, effective systems of higher education, and a modern responsive healthcare system.

The Global Practices are distinguished by their ability to access global expertise and deploy it at all levels, and to bring together experts of diverse backgrounds in a single team to work with clients on multisectoral challenges.

To learn more about the Bank’s 14 Global Practices, please consult the descriptions on page 8.

How do reimbursable advisory services work?

Typically, RAS arrangements are generated from client requests and are provided in addition to the World Bank's regular work program. Engagements are regulated by separate legal agreements between the World Bank and the recipient of the services (the client). As the service provider, the Bank reports directly to the client.

Under Russian law, the World Bank, as an international organization, is exempt from competitive bidding requirements and may deliver services as a sole-source provider.

What are the unique qualities and benefits of RAS engagements?

Quality

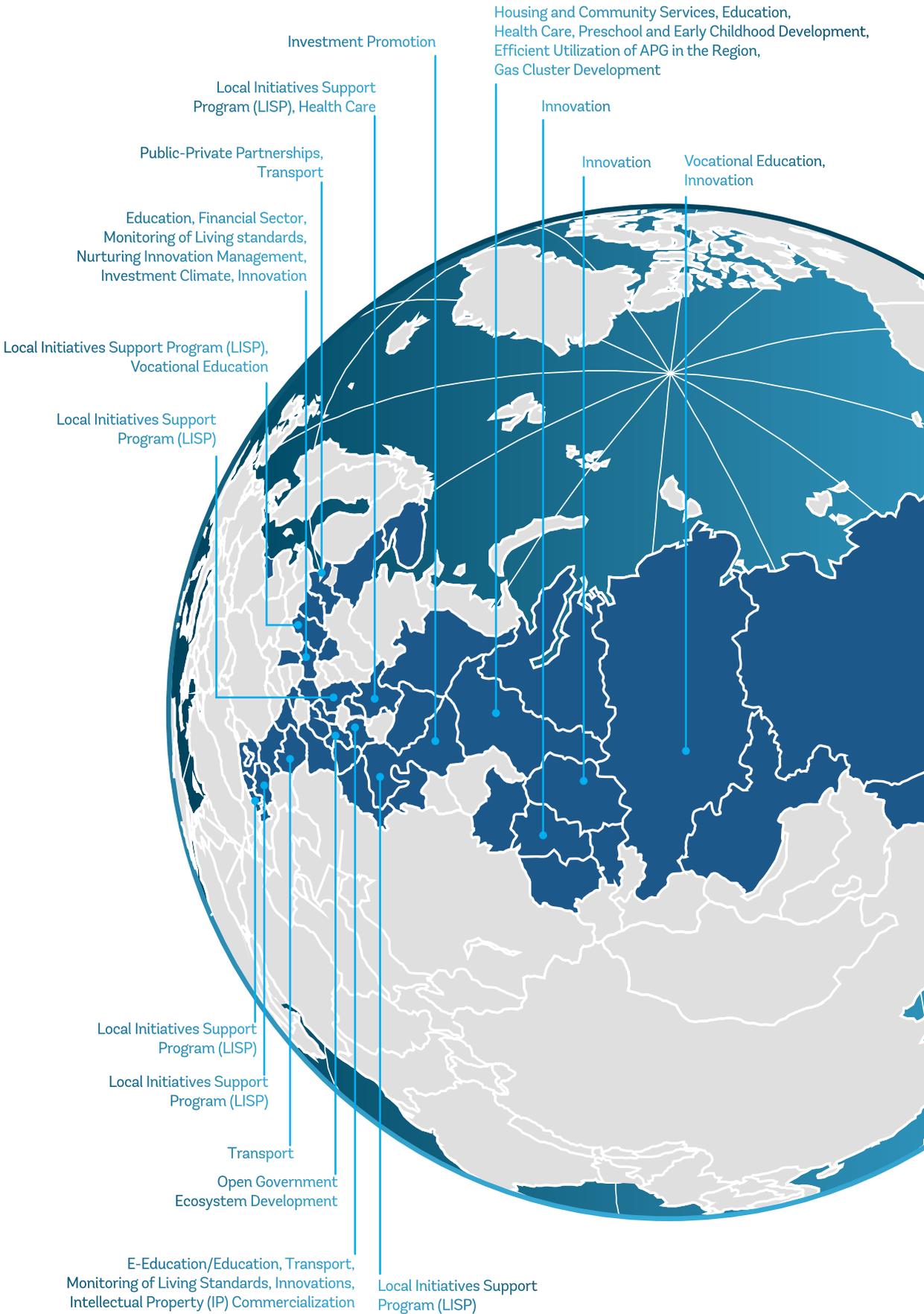
Since the formation of the World Bank in 1944, expert and impartial analysis and advice have been provided to ensure the success of lending operations. Those seven decades of top-quality knowledge services underpin the quality of new packages of services uncoupled from lending. The quality assurance practices developed within the Bank since its founding apply equally to RAS.

Global knowledge, local insight

Global best practices, cutting-edge knowledge products, and leading experts are what clients demand—and what the World Bank offers. More than providing services, the Bank partners with its clients (who are also its members!) in an expanded relationship beyond the standard contractual agreements that can be found in the private sector. Because of this distinction, the Bank does not bid on advisory services but rather engages with client countries as a development partner.

Reasonable, predictable cost

For all clients, the costs of a RAS program are determined by using uniform pricing norms based on the estimated costs of delivering a negotiated program of specific services. Because the World Bank is a not-for-profit organization, its prices for RAS include no profit margin.



The RAS portfolio in Russia

The World Bank's RAS activities have benefited more than 50 of Russia's regions over the last 10 years.

Since 2007, the World Bank has entered into more than a hundred RAS agreements with federal and regional authorities in a wide range of areas that are well aligned with Russia's development challenges. Examples of our work appear in the project notes in this folder.

One of the areas of early demand for the Bank's advisory services was in support of a large-scale project to expand the St. Petersburg Pulkovo airport through a public-private partnership. Pulkovo attracted more than €1.2 billion in private investments and was awarded the title of «Global PPP Deal of the Year» by *Infrastructure Investors* in 2011.

As international knowledge and experience are critical success factors in many fields (including such traditionally «domestic» domains as education, health, and social protection), the World Bank and its advisory services have built their lead in global knowledge provision. During the past two years, demand has been especially strong for advisory services to improve the investment climate, sharpen economic policy, improve health and education systems, and empower local initiatives.

Learn more at www.worldbank.org/en/country/russia/brief/ras

Are you ready to partner with the World Bank?

We hope we have persuaded you that your institution or organization could benefit from the advisory services of the World Bank. We invite you to start a conversation with us. We would be pleased to provide you with additional information.

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Early Childhood Development, Local Initiatives Support Program (LISP)



Local Initiatives Support Program (LISP)

Local Initiatives Support Program (LISP)

Meet the 14 Global Practices of the World Bank Group

Agriculture



The practice offers integrated, climate-smart solutions to practical and financial problems in agriculture, forestry, and fisheries. Those solutions hinge on finance, training, policy, applications of international research, and closer links between agriculturalists and markets to increase food availability, stimulate economic growth, and increase resilience. Critical issues include food security, food safety, smallholder incomes, trade, productivity, subsidies, and waste reduction.

Energy and extractives



In energy, the practice focuses on infrastructure, efficiency, access to off-grid power, and generation of power from renewable sources. In the extractive industries, the salient issues are attracting and managing responsible investments, mitigating and adapting to climate change, enhancing local input in resource exploitation, developing resource corridors, and protecting biodiversity.

Environment and natural resources



With access to unmatched economy-wide knowledge and expertise, the practice assists governments and the societies they represent in maximizing the sustainable use of natural capital for inclusive, green growth while minimizing pollution of air, water, and soil. Expertise in natural-capital accounting is an essential component of that enterprise.

Social, urban, rural, and resilience



The practice serves national and subnational clients with urbanization and land-management practices that promote growth and reduce poverty, foster social inclusion, enhance the capacity of local governments to deliver services, strengthen societies' resilience in the face of natural disasters, and reduce the carbon footprint of cities.

Transport and information and communication technologies



The practice's role in the transport and ICT sectors is to promote policies, institutions, and investments that will meet the burgeoning demand for electronic connectivity (data and voice; wired and wireless) and support modes of transportation (of people and goods) that are economically, environmentally, and socially sustainable. Areas of emphasis include innovative financing (such as public-private partnerships), intelligent transport, digital services, IT-based industry, and speedier transfer of technology.

Water



The practice's broad perspective on the economy helps clients take an integrated approach to water management and investment. Focal points are basic access to water, slum upgrading, pollution, urban watersheds, and water storage (for hydropower and other purposes). To address these and other issues of water allocation, the practice is uniquely positioned to marshal data, deploy advanced technical and policy tools, assemble public-private partnerships, and promote multi-stakeholder engagements.

Governance



Citizens' demands for more and better services has led governments to look for more efficient ways to use resources. Specific lines of the practice's work include revenue administration (tax and customs), performance budgeting and management, transparent government, and citizen oversight. Grouped within the practice are experts in public sector management, governance and anti-corruption, procurement, financial management, social accountability, and judicial reform.

Finance and markets



The practice works to promote financial stability and to develop diversified, efficient, and inclusive financial systems by addressing the most pressing financial sector challenges, such as developing a sound financial infrastructure and regulatory framework, establishing local capital markets, promoting private sector development, and expanding access to financial services for individuals and small businesses. The practice provides analytical and advisory services to promote financing for infrastructure, housing, and small and medium-size enterprises.

Macroeconomics and fiscal management



The practice delivers policy advice, analytical tools, and training on (i) macro-fiscal frameworks aligned with the goals of reducing extreme poverty and boosting sharing prosperity; (ii) sustainable fiscal and debt policies and efficient, effective government spending; (iii) growth analytics and policies to start, sustain, and boost growth; and (iv) the impact of trade, global crises, and other developments on growth and the government's fiscal position.

Poverty



The practice helps countries diagnose the causes of poverty and map out paths to shared prosperity. Often in tandem with other global practices, it supports World Bank Group teams in conducting policy analytics and in enhancing the poverty- and equity-related effect of policies and investments supported by World Bank lending. The practice also builds the capacity of countries to measure poverty and monitor the welfare outcomes of policies. Finally, it tracks regional and global poverty and progress toward promoting shared prosperity.



Trade and competitiveness

The practice analyzes domestic markets and their connections to global markets, identifying factors that encourage entrepreneurship, innovation, trade, and the growth of firms. It provides policy advice, diagnostics, and implementation support in the areas of (i) competitiveness, trade, and integration; (ii) productivity and «spatial growth solutions» (growth poles and corridors); (iii) innovation and entrepreneurship (particularly for women and youth); and (iv) regulation, public-private dialogue, and the business climate.



Education

The practice helps client countries provide basic education of high-quality for all children and youth, beginning in early childhood. It also supports education for the knowledge economy through analytical work, collection and curation of evidence, and the design and implementation of learning programs.



Health, nutrition, and population

The Practice provides financing, state-of-the-art analysis, and policy advice to help countries expand access to good, affordable health care. It also prioritizes protecting people from falling into poverty or becoming poorer due to illness and it promotes investments in all sectors that form the foundation of healthy societies.



Social protection and labor

Three long-established globally renowned practice areas of the social protection and labor group are (i) social safety nets and social assistance; (ii) pensions and social insurance (contributory social programs and social security); and (iii) labor-market programs and regulation (training and skills, wage subsidies, apprenticeship, intermediation). Youth employment is an emerging focus of the third practice. A cross-cutting practice group on social protection and labor systems emphasizes «delivery systems» such as identification, eligibility/targeting, payments, governance, and monitoring and evaluation.





IMPROVING THE UTILIZATION OF FLARED ASSOCIATED PETROLEUM GAS

The Russian Federation is one of the world's main producers of crude oil and natural gas. It also has the world's largest natural gas reserves, second-largest coal reserves, and eighth-largest crude oil reserves. But Russia suffers significant losses of the natural gas that is a byproduct of oil extraction (associated petroleum gas [APG]), which it flares or vents into the atmosphere. These losses occur mainly on a small scale and in many remote areas that lack distribution infrastructure or gas markets—where flaring or venting is the most expedient way to deal with the problem. In 2014 Russia flared more than 12 billion cubic meters of APG, according to official data; estimates based on global satellite data are considerably higher. Based on the average market prices for natural gas, annual economic losses associated with APG flaring exceed \$3 billion.

Russia has enacted laws requiring oil companies to use at least 95 percent of APG, and oil companies are continuously working to improve APG utilization. Achieving more substantial progress requires solutions that are practical in remote operations—solutions the World Bank Group can help develop.

HOW WE CAN HELP

The World Bank Group has been partnering with governments around the world to develop their energy industries in efficient and environmentally sustainable ways. It plays a leadership role in reducing gas flaring through the Global Gas Flaring Reduction Partnership (GGFR), a public-private initiative that includes international and national oil companies, national and regional governments, and international institutions. The GGFR works to increase the use of APG by helping remove technical, regulatory, and behavioral barriers to flaring reduction; conducting research; disseminating best practices; and developing country-specific gas flaring reduction programs.

Partnering with the World Bank Group offers Russia an opportunity to adopt international best practices and bring all relevant stakeholders to the table. The Bank can work with Russia's oil companies to improve APG utilization in a variety of ways.

1 Developing country and company APG utilization programs

- Helping devise strategies for implementing the global initiative «Zero Routine Flaring by 2030»
- Providing advisory services on gas flaring reduction legislation and regulations.

2 Improving the measurement of flared APG volumes and reporting procedures

- Reviewing and analyzing existing regulations on measuring and reporting flared APG volumes and recommending ways to improve them
- Introducing state-of-the-art measurement technologies, equipment, and processes and selecting appropriate approaches for specific applications.

3 Identifying APG flaring reduction projects

- Identifying, mapping, and inventorying APG flaring sources
- Analyzing the best technical solutions for potential projects, based on review of APG utilization technologies.

4 Developing economically viable APG utilization projects

- Screening potential APG utilization options using the GGFR technical/economic model
- Disseminating best practices and knowledge on APG flaring and venting and its efficient utilization.

OUR TEAM IN ACTION

Globally

In April 2015 the UN Secretary-General and World Bank President launched the **Zero Routine Flaring by 2030 Initiative**, with endorsements from 25 countries, oil companies, and development institutions. By 2016 the number of endorsers had grown to 62.

In **Indonesia** the GGFR Partnership conducted a study of the regulatory framework for flare and vent management in upstream oil and gas operations and established a conceptual basis for the work of the Directorate General for Oil and Gas on flare regulation. Regulation will incentivize companies to explore and implement economic solutions for using APG.

The **Government of Iraq** signed a Reimbursable Advisory Services (RAS) program to develop its gas value chain, which the World Bank Group is implementing in 2017. This major effort is intended to organize the institutional and regulatory frameworks of the entire value chain, from production to transportation to distribution to the final customer. It includes several phases, including baseline definition; analysis; recommendations and guidelines for implementation; and a large capacity-building component. Gas pricing policy will be a priority.

GGFR has conducted significant work in **Mexico**, where it identified cost-effective flaring reduction opportunities that can potentially generate annual gross savings of \$84 million — \$500 million in net present value — and reduce CO₂ emissions by 497 kilotons.

In Russia

At the federal government's request, in 2007 the GGFR conducted a study on **Using Russia's Associated Gas**. It presented its main conclusions during a conference for government and industry representatives.

The GGFR partnered with the **Government of Khanty-Mansiysk Autonomous Okrug (KMAO)** on two APG flaring reduction projects between 2012 and 2015. The projects (a) identified sources and volumes of APG flaring in the region; (b) compared satellite data on the volume of flared APG with official data; (c) measured flared APG volumes at selected oilfields; (d) made recommendations on ways to enhance existing APG flaring volume measurement procedures and engage in other activities to reduce flaring; (e) conducted a detailed technical and economic evaluation of APG utilization options; and (f) shared GGFR's technical-economic model and provided initial training of staff in its use for assessment of future potential opportunities. As a result of these activities, KMAO became the first oil- and gas-producing region in Russia to meet federal requirements for 95 percent associated gas utilization.

In 2015 the GGFR held its Fifth International Global Forum in KMAO. More than 200 representatives of government, oil companies, and development institutions participated.

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SAVING BY CONSERVING:

ENERGY EFFICIENCY IN THE PUBLIC SECTOR

Cost-effective investments in energy efficiency could cut Russia's energy consumption by about 45 percent, or some 300 million tons of oil equivalent (mtoe), an amount that exceeds the annual energy consumption of France. Not only would this save significant amounts of money, it could reduce CO₂ emissions by about 800 million tons per year, improving local and regional air quality as well as the world's ozone layer.

The largest technical potential for greater energy efficiency lies in (a) residential buildings (53.4 mtoe), such as public housing; and (b) public buildings (15.2 mtoe), such as schools, hospitals, and government offices. Although some strong policy measures have been put in place, implementation has been slow, especially in the public sector, owing to a number of regulatory, institutional, procedural, and financing challenges. If these challenges could be removed, energy savings for housing and public institutions would be substantial, improving internal comfort levels while repaying the investment costs.

Efforts to raise energy efficiency promise realistic benefits to all Russians: to government at all levels (in the form of improved service quality, lower energy costs, and funds freed up for investment in other areas), to citizens (better conditions in housing, schools, and hospitals), to the private sector (lower operating costs and increased demand for energy-efficient goods and services), and to the environment (reduced local and global emissions).

HOW WE CAN HELP

The World Bank's teams of experts in environmental technology and policy help countries identify, design, implement, and evaluate energy efficiency strategies, regulations, and programs that fit each country's unique circumstances. For more than two decades, they have supported Russia's energy sector at the federal and local levels. This deep experience with energy in the Russian context means that we can assemble partnerships quickly and effectively, as needed, for the following purposes:

1 Conducting policy and market assessments

World Bank experts work with country counterparts to document:

- The potential for energy efficiency in a given sector or market
- The characteristics of energy-saving options and corresponding investment needs (investment size, technology, payback period)
- The enabling and constraining factors at play in financing and implementing such programs.

2 Designing interventions to help address identified barriers

The World Bank works with government budget planners to recognize obstacles to energy efficiency and to assist the client country in reforming public expenditures. Public expenditure reviews are the method we use in the following areas:

- Documenting how major barriers have been addressed in other countries and which financing and institutional options are most relevant for the Russian context (national, regional, or municipal)
- Facilitating stakeholder consultations on program options and reaching consensus on the best options to pursue

- Laying out the regulations, institutional changes, and other requirements that will be needed to implement a program based on the agreed options
- Designing sustainable programs, including sources of funding, financing modalities, institutional set-ups, expected results and monitoring systems.

3 Establishing the program

World Bank facilitators then work alongside Russian teams to bring the components of a program together—drafting necessary regulations, developing a detailed operations manual for the program, setting annual targets for investment and results, staffing up implementation units, and preparing standards and templates for energy audits, legal agreements, and other essential documents.

4 Implementing the program

Our program management specialists then support their Russian counterparts in the activities that turn plans into reality by:

- Providing training support to program staff and key stakeholders during early implementation and as needed thereafter
- Assisting in the technical review of key documents (mentioned above)
- Jointly overseeing implementation through periodic inspections and site visits
- Conducting interim, midterm, or end-of-program evaluations to document impact, identify deficiencies, draw lessons, and develop recommendations for future programming, replication, or scale-up.

OUR TEAM IN ACTION

Globally

The World Bank has supported more than US\$500 million in programs to improve energy efficiency in the public sector in **Armenia, Belarus, Kazakhstan, Macedonia, and Serbia**—mostly at schools, hospitals, and other institutions funded through public budgets. Some of the more recent programs have introduced investment-recovery schemes, where energy savings are collected to repay investment costs, thereby allowing the funds to revolve over time and become sustainable.

In Russia

We developed a comprehensive and practical analysis of the potential for energy efficiency improvements across the **Russian Federation**, highlighting the benefits of energy efficiency and recommending how to achieve its full potential. The Bank supported investments in energy efficiency in **Ryazan, Nizhny Novgorod, Kaliningrad, and Archangelsk oblasts**, primarily in the district heating sector (1996–2003). For the 2002–03 heating season, these investments saved US\$7.7 million in financial costs (US\$10.7m in economic costs), brought fuel savings of 56,000 toe, and lowered CO₂ emissions by 105,600 tons.

At the local/municipal level, the World Bank supported improved efficiency in housing and communal services in Kazan under the **Kazan Municipal Development Project** (2005–06).

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SUSTAINABLE MANAGEMENT

OF THE ENVIRONMENT AND NATURAL RESOURCES

The Russian Federation is blessed with large reserves of oil, gas, minerals, and renewable natural resources. Forests, which cover almost half the country's territory, contain unique biodiversity and anchor a vast ecosystem. Russia's water resources represent a fifth of the world's fresh water reserves. The nature reserve of Lake Baikal—the world's deepest lake and largest source of fresh water—is surrounded by forests of global significance, home to more than 300 species of animals and 800 species of plants.

The need to develop Russia's raw-material sectors threatens all of these resources. Soviet-era development practices were succeeded by inefficient environmental management that has led to the deterioration of environmental quality over the 15 percent of Russian territory where about 60 percent of the population was living in 2008. Contaminated soil, air, water, and radioactive waste—legacies of past economic and military activities—also create significant health hazards.

Climate change poses increasing risks to Russia's economy and national welfare that may offset the benefits of economic growth. Integrated climate adaptation and disaster risk-reduction measures could reduce vulnerability to climate-related hazards, especially for the poor and for people dependent on natural resources.

Russia is about 20 years behind other industrial nations in addressing its environmental legacy. Recognizing these challenges, the government has made a strategic decision to improve the environment and strengthen the country's environmental management, making significant policy changes in its 2012–20 Environmental Protection State Program.

Setting forest management on a sustainable path would allow Russia to benefit from the rapidly growing global timber market while ensuring that its forests remain among the world's largest carbon storage areas. Forward-looking environmental and climate policies would also create new economic opportunities and make Russia a global leader in sustainable development and climate change.

HOW WE CAN HELP

Sustainable management of the environment and natural resources is integrated into all of the World Bank's work, including advisory services and policy dialogue, country and sector strategies, and investments. It is built into all Bank activities that include urban and industrial development.

World Bank support for country initiatives involving climate change adaptation and mitigation increased by a factor of five over the past five years. The Bank is one of the world's largest supporters of biodiversity conservation, pollution control, and environmental health programs. Its policy loans and advisory services have strengthened environmental policies and institutional frameworks. Its methods of natural capital accounting promote healthier oceans and enhance decision making.

All of these efforts have come about by building partnerships made up of country teams, international environmental planning organizations, and the world's top experts in environmental management. Such partnerships can help Russia improve its environmental sustainability in various ways.

1 Reducing pollution risks and environment-related health issues

- 1 Providing expertise in the rehabilitation of legacy sites
- 1 Prioritizing economically and environmentally beneficial pollution cleanup
- 1 Establishing modalities for cooperation between the public and private sectors
- 1 Sharing state-of-the-art techniques for recycling legacy waste
- 1 Setting up institutional and financial mechanisms for addressing environmental liabilities.

2 Enhancing the role of forests as carbon sinks and preserving Russia's unique ecosystems

- Assisting Russia in pursuing sustainable forest management practices, promoting «forest-smart» business models within the private sector, and strengthening forest governance to foster responsible investments and combat illegal logging
- Offering knowledge and advice on capturing the carbon potential of Russia's forests.

3 Enhancing the role of Russia as global leader of the Arctic program

- Applying global knowledge and worldwide experience with climate change through policy advice, outreach, and convening power
- Facilitating access to scientific networks
- Expanding opportunities for Russian participation in networks devoted to solving complex environmental problems in the Arctic.

4 Developing eco-tourism

- Leveraging Russia's rich natural landscape and diverse flora and fauna to develop eco-tourism, as the World Bank has done in China, India, Nepal, and South Africa
- Providing advice and knowledge on regulatory regimes that (a) adhere to environmental and conservation objectives and (b) help local economies grow.

5 Using green financing to increase investment in sustainable development and encourage a more sustainable economy

- Developing innovative instruments and mobilizing investments aimed at adapting to climate change and reducing greenhouse gas emissions
- Advising on approaches, instruments, and mechanisms for implementing policies that promote green development and strengthen the role of the public sector in designing incentives that combine economic, employment, and environmental benefits.

OUR TEAM IN ACTION

Globally

World Bank partnerships have helped many countries improve their environment and natural resources. In **Argentina** the Mining Environmental Restoration project is containing 700,000 tons of uranium tailings (waste byproducts) that could lead to groundwater contamination, dust pollution, and radon emissions.

In **Belarus** the World Bank provided support for the formulation of policies and strategic planning that helped increase the share of forested areas from 35 percent in 1994 to more than 39 percent in 2013. It also supported activities that cracked down on illegal logging.

In **Bulgaria** the Environmental Remediation Pilot helped reduce environmental and human health hazards caused by past pollution and unsafe environmental management of a copper smelter. It also launched a Reimbursable Advisory Services program project to increase Bulgaria's national forest inventory.

At the request of the government of **Romania**, in July 2013 the World Bank launched a two-year advisory partnership on climate change and low-carbon green growth. It has also conducted analytical work on environmental liabilities in **China, Kazakhstan, and Turkey**.

The World Bank has developed a [toolkit of policy options](#) to support inclusive green growth. The toolkit includes sections on environmental fiscal reform, sustainable public procurement, certification for sustainable production, and green innovation, as well as other industrial policies that encourage investors to invest in green projects.

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DEVELOPING REGIONAL AND MUNICIPAL POLICIES AND STRATEGIES

Russia exhibits substantial regional diversity, economically and socially. Cities are a critical component of Russia's economic growth: urban areas account for an estimated 89 percent of the growth in Russia's economy, measured by gross value added (GVA). Within the Russian Federation, okrugs, regions, and municipalities have both the power and the responsibility to take advantage of opportunities to ensure economic development for their populations. This decentralized approach enables the development of regional and municipal policies and strategies that reflect and address local circumstances.

HOW WE CAN HELP

The World Bank has worldwide experience in helping national, regional, and municipal governments conceive and implement development strategies, leverage their advantages, and prepare effective responses to economic shocks. Some activities that can be undertaken under our partnership with clients are described below.

1 **Supporting national governments in developing an integrated urban program focused on growth and competitiveness**

The World Bank has enabled its client countries to:

- 1 Identify the drivers of competitiveness for regions and municipality within the country
- 1 Analyze and assess the effectiveness and potential of institutions responsible for urban planning and development
- 1 Develop innovative financial instruments to make municipalities more sustainable
- 1 Benchmark urban areas against a set of key indicators.

2 **Supporting regions and cities in the preparation of strategic institutional, financial, and economic recovery plans that build a foundation for long-term growth and competitiveness**

Developing such a recovery plan often begins with a quick but nuanced analysis of the impact of the crisis on the economy as a whole, as well as on key economic sectors, vulnerable population groups, and the fiscal position of the region or municipality. The plan may also address:

- 1 Repositioning the region or city in response to a changed global environment
- 1 Helping local businesses survive economic downturns
- 1 Reexamining the fiscal position and financial resources of the area with an eye to ensuring continued delivery of services (particularly social services).

Similar plans may be implemented at the okrug level under specific federal programs designed for them.

OUR TEAM IN ACTION

Globally

In the early 2000s, as **Brazilian cities** were facing deindustrialization and a reorientation toward the service sector, the megacity of **São Paulo** requested assistance from the World Bank in addressing significant social conflict and fiscal constraints. The World Bank worked closely with the city to assess opportunities for recovery related to improvements in the city's fiscal performance and creditworthiness, competitiveness, investment climate, institutional partnerships, and service delivery. A program of technical assistance helped the municipality conceive and implement a multiyear plan.

The World Bank is working with **Shanghai, China's** municipal government to conduct the «Shanghai 2050» strategic planning assessment focused on transforming the city into an innovation-led economy. Building on a scenario planning approach, the assessment began with an analysis of megatrends in urban innovation and then identified several possible scenarios for Shanghai, detailing the economic, social, and spatial actions to be taken in each.

South Africa's national government and several large urban areas are working with the World Bank to devise targeted interventions to renew growth, better manage urban assets, and improve services (notably urban transport) in a context of high unemployment and inequality. Our team helped **Johannesburg's** municipal government benchmark the city's economic performance against major comparators to build consensus on the way forward. The World Bank also provided technical and financial assistance to identify and commercialize green technology opportunities for the city and to diversify its financing sources using innovative instruments (including Africa's first land value capture bond issuance). In **Cape Town**, World Bank experts helped the city design integrated approaches to the development of housing and economic growth zones.

The World Bank helped **Malaysia** develop a program of analytics and policy advice to enhance the competitiveness of its six largest urban areas through data driven analysis of patterns of growth, the impact of public investment, and institutional effectiveness. After benchmarking the cities against key indicators of economic performance, environmental sustainability, livability, and inclusion, our team assessed the impact of regional and national development strategies on each urban area and deployed analytics to better understand urban inequality and social exclusion.

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EMPOWERING THE DIGITAL ECONOMY

TO MAKE GOVERNMENT MORE EFFICIENT

The role of digital technology in contemporary life can be seen almost everywhere in the world: society, culture, government, and the economy. People rely on it for mobile communication, internet access, social media, entertainment, and obtaining new knowledge, goods, and services. Simultaneously, governments and businesses rely on the internet for disseminating information, coordinating their activities, communicating, marketing, and doing business in general.

While these aspects of the digital economy are obvious, what is less obvious are the underlying policies and practices that countries should undertake to harness the benefits of technology and the digital economy it has created (greater job creation; increased competitiveness, productivity, and innovation; improved government service delivery to improve the lives of citizens).

HOW WE CAN HELP

With its vast knowledge of global best practices and access to leading experts in the field, the World Bank is well positioned to support governments in using information and communications technologies (ICT) to build or improve their digital economies. It can assist clients through three important tools:

1 The Digital Economy Readiness Assessment and Strategy

- Establishes a baseline snapshot of a country's digital economy, identifying gaps and opportunities for public sector investment that could spur the growth of the digital economy and assessing specific components, issues, or sectors of the digital economy
- Helps design digital economy strategies, programs, or projects that the government or development partners can fund.

2 The Digital Government Readiness Assessment and Strategy

- Assesses the current status of a country's or region's digital government, identifying gaps and opportunities for public sector investment that could spur the development of digital government and improve the quality of public services, assessing specific components of digital government, and prioritizing interventions to make informed decisions on investment in digital government
- Helps design digital government strategies, programs, or projects that the government or development partners can fund.

3 The Open Data Readiness Assessment (ODRA)

- Assesses the readiness of a government or agency to evaluate, design, and implement an Open Data initiative
- Applies sectoral versions of the tool in transport and energy
- Applies the Open Data for Business (OD4B) Tool, which provides a methodology for assessing the private sector's current and potential use of government data.

OUR TEAM IN ACTION

Globally

Over 2015-2016, the World Bank has worked with many partners on ICT issues. It facilitated **Colombia's Open Data Readiness Assessment**, helped **Romania** implement its digital agenda, and provided analytical support for the digital agendas of the **Eurasian Economic Commission** and **Kazakhstan**. The Bank helped all of these clients understand and plan their progression to digital government by:

Bringing together international experts and government officials to assess the current situation and inform the development of a vision and strategy for moving forward with digital government

Focusing on action-oriented recommendations—the issues public bodies face in adopting digital methods

Drawing on the criteria used in the digital government rating and maturity models from international organizations and global consultancies to facilitate action plans that lead to higher ratings and better digital government.

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In Russia

The World Bank has been supporting the development of ICT in Russia for many years. In 2012, for example, it conducted an ODRA in the **Ulyanovsk Oblast**. As an early adopter of open government, Ulyanovsk Oblast wanted to leverage Open Data in order to use government resources more effectively and improve benefits to a wide range of stakeholders. It was keen to become Russia's first region to launch an Open Data Initiative. It sought to measure its readiness along several dimensions, including leadership, policy and legal framework, institutional preparedness, supply and demand of government data, data user communities, financing, technology, and skills infrastructure.

The World Bank provided a Reimbursable Advisory Service to help Ulyanovsk Oblast launch its Open Data Initiative. The findings of the team of international experts that was deployed served as a basis for the design of a roadmap presented at the international «Open Region» seminar in 2013, attended by government representatives from 16 regions of Russia and Kazakhstan. The two-year roadmap describes plans for developing a sustainable Open Data ecosystem to drive government transparency and evidence-based decision making, improve service delivery, increase economic opportunities, and foster citizen engagement in governance.

Ulyanovsk Oblast's Open Data portal now includes more than 200 datasets, a regional Open Data barometer, and a regional ranking of government websites that considers ease of use, overall usefulness, and quality of design and information. It is supporting better government operations on behalf of the region's citizens.

In 2014-2015, the World Bank conducted a study of broadband access to the Internet in Russia. The Bank assisted **the Federal Ministry of Telecom and Mass Communications** in preparing the digital government strategy in 2015-2016 and designing the Digital Economy Development Program in 2017. At present, the World Bank is conducting a new study of the digital economy in Russia.

For more information, visit <http://www.worldbank.org/en/country/russia/brief/ras>



BUDGET TRANSPARENCY AND CITIZEN PARTICIPATION: INSTRUMENTS FOR ACHIEVING GOOD GOVERNANCE

Ensuring fiscal transparency and engaging citizens in budgeting are key instruments for achieving good governance, facilitating development, and increasing popular trust in and understanding of government. According to the Global Initiative on Fiscal Transparency, countries that are more transparent demonstrate better macroeconomic outcomes—chief among them lower deficits and better fiscal balance over succeeding electoral cycles. They also perform better at resource allocation, provide better public services, suffer less corruption, and score higher on indicators of human development.

Russia has made notable progress in improving budget transparency and accountability, as reflected in the results of the international Open Budget Index Survey. Each year since 2014, the Russian Federation has published, as an attachment to the executive budget proposal and budget law, a budget disclosure written for ordinary citizens known as the «citizens' budget.» In 2015 most Russian regions began producing similar documents; citizens' budgets are now beginning to appear at the municipal level. Yet a relatively small number of Russia's regions are rated *high* or *very high* in the national budget transparency rating of Russian regions. Global experience can help regional and local governments enhance their efforts to improve the public's understanding of and participation in the budget process.

HOW WE CAN HELP

The World Bank has been an important source of expertise on enhancing fiscal transparency in many countries, providing technical assistance to governments, developing capacity, and facilitating dialogue. The following are some examples of specific activities that can be undertaken in partnership with clients:

1 Facilitating knowledge exchange and peer-learning on budget transparency, participation, and literacy

- Organizing conferences, workshops, videoconferences, roundtable discussions, and other types of events with the participation of global experts and governmental representatives from all over the world
- Facilitating country-to-country exchanges through study visits.

2 Designing interventions to help address identified barriers

- Organizing diagnostic studies and benchmarking client governments on various aspects of budget transparency
- Analyzing and adapting global good practice
- Developing recommendations on enhancing performance.

3 Assisting governments in the preparation of programs to enhance fiscal transparency and budget literacy

- Providing a framework for analysis of performance issues
- Assisting in formulating objectives and activities to address performance issues
- Organizing expert evaluations of the results of governments' transparency programs and developing recommendations for improvements.

4 Providing technical assistance for the development of training and outreach programs on budget transparency and literacy

- Advising on the content of training programs for various audiences (including the general public), based on successful examples in Russia and around the world
- Undertaking evaluation of existing training and outreach programs and providing recommendations on how to improve their content and format.

OUR TEAM IN ACTION

Globally

World Bank experts support operation of the **Working Group on Budget Transparency and Literacy**. Composed of officials from ministries of finance in 14 countries of **Eastern Europe** and **Central Asia**, the Working Group has met several times a year since 2014 to learn from one another and from international experience. With support from the **Public Expenditure Peer-Assisted Learning Program (PEMPAL)** of the World Bank's Europe and Central Asia Region, the Working Group organizes thematic exchanges on enhancing budget accessibility, developing citizen budgets, budget literacy, and public participation in the budget process at the national and subnational level. In May 2014, in collaboration with the Russian Ministry of Finance, the Bank's team organized a **Plenary Meeting on Fiscal Transparency** in Moscow. The meeting brought together representatives of ministries of finance and treasuries from 23 countries of the region.

A World Bank overview of budget literacy practices in more than 30 countries underpinned a workshop that was attended by experts from South Africa, Brazil, the Netherlands, and Canada.

This resulted in a study series that was launched at the Budget Literacy conference in June 2017 in Moscow. The team also organized a study visit for Russian federal and regional officials to the United States and Canada.

The World Bank is one of the partners behind **Public Expenditure and Financial Accountability (PEFA)**, a framework and methodology for assessing public financial management performance. PEFA identifies 94 characteristics (dimensions) across 31 key components of public financial management (indicators) in 7 broad areas of activity (pillars). PEFA's goals are to strengthen capacities to assess the status of PFM systems and develop a practical sequence of reform and capacity development.

In Russia

In 2014 Russia's Ministry of Finance, in cooperation with the World Bank, launched the **Russia Budget Literacy Project**. The project is developing a school curriculum to encourage responsible citizenship through understanding of the public budget and to develop citizens' self-confidence about engaging in budget processes. The Bank's team facilitated development, piloting, and dissemination of the curriculum and associated teaching and learning aids—among them a teacher's guide, a textbook and associated workbooks, and a supplemental guide for parents. The curriculum has been tested in Perm Krai, Republic of Bashkortostan, Altai Krai, and the city of Moscow. The Bank team also organized an event to train trainers and conducted an independent evaluation of the results of the pilots to enhance the teaching and learning aids developed under the project.

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SUPPORTING FINANCIAL SECTOR STABILITY AND DEVELOPMENT

A PREREQUISITE FOR GROWTH OF THE ENTIRE ECONOMY

Stable, deep, diversified, efficient and inclusive financial systems are essential for achieving the World Bank Group's goals of ending extreme poverty and boosting share prosperity. Financial stability helps people find jobs, earn a livelihood, and save and invest money; it helps countries build financial and human capital. The World Bank Group's Finance and Markets Global Practice helps client countries strengthen the enabling environment for finance by improving the quality of government strategies and policies in the financial sector, the quality of the regulatory and supervisory framework, the quality of financial infrastructure, and the effectiveness of policy interventions in the financial sector. We deliver global solutions that are tailored to country circumstances and that combine finance, knowledge, advisory, and convening services. We work across three major themes to deliver this agenda: Financial Stability and Integrity, Financial Inclusion and Access, and Long-Term Finance and Risk Management.

If the economy of the Russian Federation is to expand its productive capacity, the power of the domestic financial sector to fund investment will have to be increased. Presently, it provides limited support for investment growth through financial markets. In the short term, the challenge is to maintain the stability of the financial system and strengthen well-run banks while ensuring that credit continues to flow to new investments, especially in underserved segments of the economy.

HOW WE CAN HELP

To strengthen financial stability and promote sustainable development, the World Bank Group's Finance and Markets Global Practice helps strengthen banking regulation and supervision; improve financial sector integrity and transparency; build sustainable and fair pension systems; build local capital markets; improve access to finance; and strengthen corporate governance of companies, state-owned enterprises, and financial institutions.

1 Through financial sector diagnostics, we provide client countries with programs that assess their financial strengths and diagnose their financial weaknesses.

The Finance and Markets Global Practice (F&M GP) undertakes assessments, develops diagnostic tools, and provides policy responses under the joint World Bank-International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP) or on a stand-alone basis.

In addition, F&M GP conducts assessments of money laundering (particularly as related to the risk of terrorist financing), helping clients devise tools to counter such threats.

2 To monitor the resilience of banking systems and support reforms, we offer advisory services and analytics to clients in the public sector.

Our post-FSAP advisory services help authorities address matters raised in financial sector assessments.

Other advisory services and analytics support the development of efficient capital markets (particularly local-currency bond markets and pension investments), the adoption of safeguards such as deposit insurance, and reforms of corporate governance.

We help countries comply with international requirements related to Anti-Money-Laundering and Combating the Financing of Terrorism (AML/CFT), strengthening the effectiveness of financial disclosure by public officials to ensure these mechanisms support AML and asset-recovery efforts.

3 We provide policy advice to national financial sector authorities.

We help countries strengthen their regulatory and supervisory regimes, prepare to deal with financial stress, and adhere to internationally agreed principles for regulating and supervising banking, insurance, and capital markets

We also provide strategic guidance on standards and safeguards for efficient capital markets, which can improve long-term financing for sectors such as infrastructure, housing, and pension funds.

OUR TEAM IN ACTION

Globally

Since 2008 more than 130 Financial Sector Assessment Program reviews have helped client countries identify vulnerabilities in their financial systems and develop appropriate policy responses. More than 30 crisis simulations conducted since 2009 have enabled financial-sector authorities to evaluate the adequacy of their crisis-response mechanisms.

Technical work helped 65 client countries adopt reforms that have strengthened their AML/CFT regimes. Those reforms included AML/CFT legislation in more than 50 countries. More than 30 countries have been helped to undertake national risk assessments on AML/CFT and to design a strategy to mitigate vulnerabilities.

In **Colombia**, we helped build long-term local-currency bond markets to finance infrastructure, created new products and services, built up pension fund capacity to invest in infrastructure bonds (both directly and through debt funds), and improved the framework for public-private partnerships. A new road network built under a public-private partnership is expected to cut transport costs by around 28 percent, boosting GDP growth by an estimated 1.5 percent annually.

In Russia

In 2016, a **joint IMF-World Bank FSAP** was conducted for Russia. The mission assessed financial sector risks and vulnerabilities, assessed the quality of financial sector supervision, and evaluated financial safety net arrangements. The mission also assessed financial inclusion for individuals, the role of the state in the financial sector, insurance sector development, and the payment system.

As a result of the FSAP and its recommendations, the Central Bank of Russia and the World Bank are now discussing additional ways to strengthen the financial sector.

At the request of the **Central Bank of Russia**, the World Bank has prepared a detailed concept for introduction of a private pension system as an additional method of long-term saving for the future. The concept includes products, supervision of private pension funds, and training and certification approaches. This concept is expected to be submitted for approval later in 2017, leading to a broader dialogue with the public and development of implementing legislation and regulations.

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STRENGTHENING GOVERNMENTS’ CAPACITY TO MANAGE DEBT

Although the aggregate fiscal performance of Russia’s subnational regions improved somewhat in 2014–2015, most of the adjustment stemmed from cuts in social spending and in infrastructure. Aggregate subnational revenues declined, in real terms, by 6 percent between 2014 and 2015, and the trend continued in 2016. Tax revenues (including shares of federal taxes) fell by 4 percent between 2014 and 2015; federal transfers, by 13 percent. Although the overall level of subnational debt is not large, several regional governments are highly indebted. Moreover, roughly half of subnational debt takes the form of short-term loans from commercial banks, which have been increasingly reluctant to roll over their loans, except at very unfavorable rates. In response, the federal government has stepped in with lending at nominal interest (about 0.1 percent). With inflation currently running between 4 and 5 percent, that rate is strongly negative in real terms. Federal loans already account for one-third of subnational debt.

Local government finances could be put on a more sustainable footing by:

- Monitoring and managing the risks of quasi-fiscal deficits and associated fiscal risks, including contingent liabilities arising from Russian subnational state-owned enterprises
- Increasing revenues—for example, by helping assess corporate and personal income tax (CIT/PIT) structures and levels at appropriate levels of government
- Rationalizing expenditures—for example, by supporting growth-enhancing infrastructure investments of high quality without reducing the public services on which the poor depend
- Improving tax systems, processes, and administration—for example, improving the local property tax system by shifting to cadastral value and taxing company assets at market value rather than book value.

HOW WE CAN HELP

Drawing on global expertise, the World Bank helps countries and subnational governments strengthen their capacity to manage debt and build the confidence of investors. It has substantial experience in conducting reviews of public finances and expenditures around the globe—particularly in Eastern Europe and Central Asia. Other diagnostic assessments are done to improve governance and institutional frameworks. World Bank experts also assist clients in formulating country-specific strategies for borrowing and repaying debt. These include the activities described below, as well as training and other outreach activities.

1 **Setting up a debt-management office and applying international standards as benchmarks for credit ratings and bond issuance**

- Establishing an institutional framework and governance arrangements for debt-management based on sound, well-tested practices—notably a debt-management office based on modern principles of risk management and control
- Embedding debt-management reforms in bond-issuance strategies, cash management, and debt recording and reporting.

2 **Developing a medium-term debt-management strategy**

- Using robust analytical tools to minimize the cost of borrowing and keep risks within tolerable levels.

3 Supporting sustainable and growth-friendly fiscal adjustment at the subnational level

- Enabling subnational authorities to select, fund, and manage budgetary programs based on rigorous evidence and explicit decision-making principles
- Using the BOOST analytical tool to assess fiscal pressures in a particular region and making that information available for public finance reviews.

OUR TEAM IN ACTION

Globally

In **Brazil and Indonesia**, the World Bank helped the State of Rio de Janeiro and DKI Jakarta, respectively, to set benchmarks against international best practices using the Debt Management Performance Assessment tool. This enabled the client governments to obtain credit ratings to support the issuance of bonds.

In **India**, the World Bank helped the state of Andhra Pradesh set up a debt-management office embodying modern principles. The reform has helped move the state closer to a market-based borrowing strategy. Similar reform actions are now being implemented in the states of Rajasthan and Assam.

In **Argentina** (Buenos Aires) and **Colombia** (Province of Valle), the World Bank has assisted with estimating fiscal risks under uncertainty. Applying the state-of-the-art stochastic modeling of the sustainability of fiscal risk has helped these subnational governments better assess the probable path of government debt.

In **Bosnia and Herzegovina**, the World Bank helped the Federation of Bosnia and Herzegovina and Republika Srpska to develop a debt-management strategy based on robust analysis. In addition to lowering their borrowing costs, the effort taught the clients the importance of disclosure and transparency. By publishing their debt strategies, the nation's two principal entities have enabled investors to make better-informed—and therefore less risky and less costly—loans. The governments, meanwhile, are able to borrow in a more effective manner, keeping track of the costs and risk of such borrowings. They now have a legal framework to back the issuance of bonds, and enhanced transparency and disclosure practices to boost investor confidence.

In **Albania**, the World Bank has been providing analytical and technical support for a program of fiscal decentralization and administrative-territorial reforms designed to make subnational governments more responsive to public demand for services. Subnational governments have become cognizant of the fiscal risks stemming from certain expenditure items, benefited from technical assistance on improving the quality of the expenditure mix (building on various reform scenarios), and benchmarked outcomes across jurisdictions. The BOOST instrument that informed the analyses was also used to disseminate good practices and create an environment for peer-to-peer learning around fiscal matters.

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BALANCING EQUITY

AND EFFICIENCY THROUGH FISCAL POLICY

When constraints are imposed on a nation's fiscal resources, choices must be made. To make those choices, policymakers need a fair and transparent method of determining which government services and programs must be reduced and which will still be fully funded. Savings must be found, efficiencies exploited. Effective fiscal consolidation depends on striking a balance between equity (fairness) and efficient government spending.

These pressures highlight the policy tradeoffs that Russia faces in protecting income gains achieved in recent years. For instance, pensions and other public transfers have become increasingly important for a large share of the population, especially as people retire or jobs are lost. However, raising spending on pensions and public employment cuts into the resources available for other purposes, such as education, health, housing, and infrastructure.

Achieving fiscal balance brings many benefits—chief among them better targeted and more equitable fiscal policies that go farther to protect the poor and vulnerable. The search for balance also helps federal and regional policymakers understand and manage the social and economic dynamics of equity.

HOW WE CAN HELP

Since its founding the World Bank has supported client countries in finding the right balance between efficiency and equity in fiscal policy at the national and regional levels. Here are some examples of the activities that we undertake in partnership with clients:

1 Assessing the current tax system

- Gauging the potential for enhancing the government's revenue, taking into account the effects of taxes on equity and competitiveness
- Analyzing opportunities to improve tax collections by encouraging greater compliance and shrinking the unofficial, «grey» economy
- Assessing the composition of income taxation and examining wage and capital income (business profits, dividends, and interest received by individuals; capital gains; rents; transfers of capital, property, and other assets) relative to taxation
- Reviewing the relationship and balance between the corporate income tax and taxes applied to micro and small businesses.

2 Analyzing current expenditures and public sector management

- Working with government budget planners, the World Bank assists client countries in reforming their public expenditures. The core areas covered by public expenditure reviews are:

Macro-fiscal framework. Examination of the aggregate level and structure of public expenditures and revenues, as well as fiscal balances, to align fiscal policy with the country's macroeconomic framework and achieve fiscal sustainability

Effectiveness. Analysis of how public expenditure influences the attainment of desired development outcomes, such as access to services and reduction of poverty

Efficiency. Tracking how public expenditure translates into actual outputs in the public sector so as to better align spending allocations with policy priorities across and within sectors

Sectoral aspects of public finance. Discussion of composition and spending trends in key sectors to improve efficiency and effectiveness of sectoral institutions responsible for spending policy.

3 Assessing the distributional impacts of the tax-benefit system in Russia

- Running microsimulations to identify the main beneficiaries of systems
- Projecting ex ante the effects of proposed reforms of means-tested benefits in order to improve targeting
- Simulating best practices from the regions at the national level (for example, various options for social-assistance allowances)
- Assessing the impact of tax-benefit swaps, adapting policy designs in use in the European Union (such as cash or tax allowances).

OUR TEAM IN ACTION

Globally

In **Latvia**, the World Bank reviewed the tax system with a focus on equity, revenue mobilization, efficiency, and competitiveness to inform the national government's development of a medium-term tax strategy, while supporting dialogue on tax reforms among interested stakeholders.

In **Brazil**, the World Bank assisted with a public expenditure review that focused on Brazil's low productivity. It did so by reconsidering technical issues related to the measurement of productivity growth and analyzing structural shifts in resources between and within enterprises.

A public expenditure review in **Indonesia** examined and explained the constraints facing the government in public resource management, especially in allocative and operational efficiency. The public expenditure review offered recommendations for improvement in six critical areas: fiscal space, education, health, infrastructure, public financial management and decentralization.

In **Mexico**, a public expenditure review laid the foundation for short-term policy measures, medium-term fiscal reforms, and long-term strategies to bring Mexico's expenditure dynamics in line with its broader development objectives. The review examined cross-sectoral issues (such as fiscal decentralization and the budgeting process) and sector-specific issues (in health, education, social assistance, and others) through the lenses of fiscal sustainability, spending efficiency, and distributional equity.

In Russia

At the federal level, in collaboration with national and international experts, the World Bank analyzed the distributional impact of the fiscal system in Russia. The analysis, conducted in 2017 based on the commitment-to-equity approach, evaluated the impact of taxes and transfers using household survey data, which made the analysis comparable with other studies and thus allowed for cross-country benchmarking. Apart from measuring aggregate poverty (by bringing together a variety of poverty indicators) and inequality, the approach enabled an assessment of who benefits and who bears the burden by household type, age structure, and so on.

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IMPROVING MARKETS

THROUGH EFFECTIVE COMPETITION POLICIES

Lack of competition in the domestic economy is one of the most critical constraints to growth. Conversely, competition fosters a country's economic welfare and makes its markets work for development, with positive effects on innovation, productivity, and market growth, while also making exporters more competitive.

To create a framework for competition, the World Bank Group supports client governments in (a) understanding what stifles effective competition in specific markets and how laws and policies shape incentives for firms to invest and compete, (b) designing more effective competition policies, and (c) assessing the expected effects of competition policy.

HOW WE CAN HELP

Since 2010, the World Bank Group's Markets and Competition Policy Assessment Tool has been applied in more than 45 countries in all world regions. The modules of the tool analyze market and competition dynamics; market regulation and sectoral policies; antitrust rules and enforcement; and state aid, state-owned enterprises, and competitive neutrality. Analysis facilitated by the tool supports action in the areas listed below:

1 Improving skills for economic analysis and assessment related to competition

- Teaching econometric and quantitative techniques to detect anti-competitive conduct; market dominance; and abuse of dominance
- Quantifying the effects of anti-competitive behavior and of proposed mergers
- Assessing the economy-wide impact of sector liberalization and procompetitive reforms in specific markets, and of the impact of competition (or the lack of thereof) on key economic variables (such as productivity).

2 Implementing an effective approach toward advocacy and regulation at various levels (market, sector, subnational)

- Prioritizing sectors to be subjected to competition assessment
- Identifying regulatory restrictions on competition (including price controls) based on their effects on market dynamics
- Assessing the feasibility of reforms against considerations of political economy and advising governments on the implementation of selected reforms.

3 Embedding competition principles in broader public policies, including at the subnational level, and shaping the role of governments in markets to promote competition and private initiative

- Reducing market distortions and maintaining a level playing field through pro-competitive state aid
- Ensuring the competitive neutrality of state-owned enterprises
- Enabling private initiative by limiting government's direct participation in markets
- Introducing competition principles in related policies (for example, investment incentives, policies related to special economic zones).

4 Conducting functional reviews and supporting the creation of new implementing institutions

- Reviewing legal and regulatory frameworks, including public procurement laws and sectoral laws with implications for competition
- Reviewing or developing antitrust guidelines based on client demand
- Setting institutional strategy and priorities
- Developing internal procedures and guidelines (operations manual, framework for monitoring and evaluation, decision-making processes)
- Optimizing institutional functioning with a specific focus on decision-making processes and efficiency of procedures.

5 Establishing a comprehensive national competition policy

- Defining the role of the competition agency and promoting collaboration between institutions and with other sector regulators
- Implementing subnational strategies and incentives programs involving multiple levels of government
- Assessing regulations ex ante for their effect on competition; preparing binding opinions on draft regulations that affect competition
- Implementing a monitoring and evaluation mechanism to track progress and communicate results.

OUR TEAM IN ACTION

Globally

In **Mexico**, the World Bank Group partnered with the Federal Better Regulation Authority (COFEMER) to help Mexican states tackle regulatory barriers to competition by designing a three-step methodology that identifies and assesses regulations that (a) restrict business entry or private investment in specific markets; (b) set prices and other market variables that increase business risks or facilitate anticompetitive behavior, and (c) discriminate against certain firms or lack competitive neutrality. This approach was applied to the states of Oaxaca, Tabasco, and Mexico and prioritized more than 50 reforms in key areas such as transport, retail, and industrial parks. The interventions revealed opportunities to enable market entry and allowed businesses in these states to compete on a level playing field. In 2015, the Mexican government enacted a decree adopting the World Bank Group methodology as a tool of choice for improving regulatory frameworks in 31 Mexican states.

In **Romania**, the World Bank Group helped strengthen the role of the Romanian Competition Council (RCC) through a project designed to improve the efficiency of competition enforcement across government and in conjunction with pro-competition sectoral policies (especially electricity and telecommunication). The initiative combined review of the legal framework, advocacy and strategies to promote competition, capacity building, and integrating enterprise information technology tools to optimize procedures.

The RCC has recently conducted several investigations that have resulted in direct savings to consumers and improved competition in markets. It is pursuing seven new cartel investigations and five new bid-rigging cases. The RCC has also successfully recommended pro-competition regulations by advocating for better competition in key sectors such as retail, financial, and business services.

In Russia

The World Bank Group has been active in the field of competition policy in **Russia** for years, working in close cooperation with **Russia's Federal Antimonopoly Service**, the **Ministry of Economic Development**, and the **Agency for Strategic Initiatives**. The latter developed the competition standard currently being used by Russia's regions to guide the development of their programs to promote competition. The World Bank Group supported regional efforts to implement the standard with a policy note, «Enhancing Market Competition: A Review of the Standard for Competition Development in Russia.» paired with a capacity-building workshop for representatives from regions of Russia.

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MAKING THE MOST OF GLOBAL VALUE CHAINS

Connecting to the global economy can be a powerful driver of economic growth, job creation, and rising living standards. One important way for countries to connect is via global value chains (GVCs), which provide opportunities for firms and localities to optimize their competitive advantage in manufacturing, agriculture, resources, skills, trade, finance, or another area. Without GVCs, they may miss opportunities to exploit their strengths in world markets.

In today's global economy, businesses work together to produce and sell goods and services. GVCs bring together the experience and knowledge of lead firms with suppliers of components along all stages of production, stages that involve multiple companies in many different places. GVCs can support economies at various levels of development and in key sectors—agriculture, manufacturing, and services—by improving production with better technology, deeper know-how, and a richer skill set.

To realize these benefits through an effective and sustainable strategy of participation in GVCs, governments must identify key constraints that may be holding back the firms within their borders and then devise appropriate policies, regulations, and investments (in infrastructure and capacity building, for example) to remove those constraints. Many governments have shown themselves willing to adopt policies to promote GVC participation, but they may not be fully aware of the contravening effects of other domestic policies. Even when they are aware, it may be difficult for them to undo or avoid regulations that restrict entry into GVCs or discourage greater participation.

HOW WE CAN HELP

The World Bank Group has been advancing the practice of GVCs for decades, helping countries reach «tipping points of competitiveness» and weed out contradictory or counterproductive policies. Our approach is designed to deliver an effective, solutions-oriented, client-tailored process that is based on the active involvement of all potential stakeholders in the targeted GVCs.

By focusing on the sequences of tangible and intangible value-adding activities, from conception and production to end use, GVC analysis provides a holistic view of global industries—both from the top down (for example, examining how lead firms govern their global-scale affiliate and supplier networks) and from the bottom up (how business decisions affect the trajectory of economic and social *upgrading* or *downgrading* in specific countries and regions).

By providing case-specific advice, expertise, and assistance, our teams partner with regional or local governments to achieve the following goals:

1 **Identifying and removing the key binding constraints to entering and succeeding within GVCs, triggering a virtuous cycle of reform leading to entry into a GVC and continued development within it**

- Creating incentives for the private sector to invest in innovation and continuous improvement of activities that reflect the country's comparative advantages in agriculture, industry, and services
- Building capacity for continuous upgrades in participation in GVCs
- Assessing trade policies (including incentives), tariff and nontariff barriers, and regulations affecting services and investment
- Planning in the areas of logistics, infrastructure, and connectivity
- Understanding and complying with international process and product standards.

2 Devising policies and practices to stimulate innovation, entrepreneurship, and competitiveness

- Improving the business regulatory environment
- Improving management skills and structures
- Upgrading the skills of the workforce
- Designing *spatial solutions*—special economic zones, growth poles and corridors, urban and innovation centers/incubators.

3 Addressing the relationship between effective GVC participation and policies related to wages, jobs, and education, with attention to spillovers for the domestic economy, society, and environment.

OUR TEAM IN ACTION

Globally

In an effort to move its economy beyond the oil and energy sectors, the government of **Kazakhstan** asked the World Bank Group to work with counterparts at the Ministry of Industry and New Technologies and the National Analytical Center to analyze opportunities to support economic diversification through participation in GVCs. The program devised a methodology to assess whether GVC participation could benefit firms in the Kazakh railway industry and then trained public officials to apply the methodology to other industries.

While helping plan the expansion of its railroad industry, the project's main outcome was the transfer of knowledge to the government of Kazakhstan on conducting GVC analysis to formulate development strategies for non-oil industries and sectors. The GVC studies continue to help policymakers understand global industries and guide the formulation of new programs and policies to promote economic development.

Vietnam and the World Bank Group are carrying out a high-level study, «Vietnam 2035,» a forward-looking analysis of Vietnam's current and potential role in GVCs, as it moves from providing products to driving international businesses. The report is intended to guide the country's efforts to deepen integration and achieve high-income status in the coming decades.

Questions?

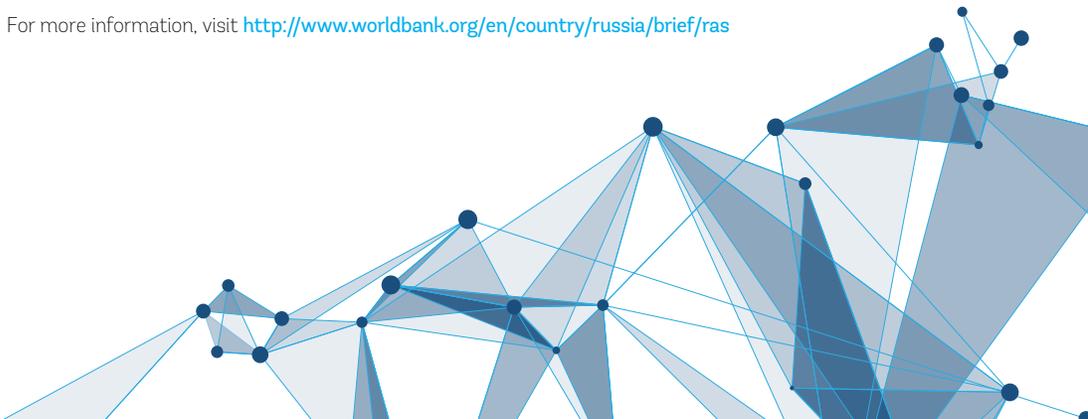
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ENHANCING COMPETITIVENESS AND EXPORTS THROUGH INNOVATION AND CLUSTERS

Innovation and entrepreneurship develop and transform economies. Countries and regions characterized by greater entrepreneurship and innovation have higher rates of growth and job creation. A key question is how governments can help companies introduce the kinds of innovations and solutions that will have a significant impact on the economy.

Federal innovation policies have had limited effects in Russia owing to the substantial differences from region to region. Because no one approach to entrepreneurship and innovation is likely to be effective in all circumstances, regional policymakers and other stakeholders would be wise to take the initiative in devising actions that reflect local conditions and circumstances. As a first step, they should upgrade their capacity to design and implement innovation policies and strategies aimed at strengthening competitiveness and export through effective leveraging of their regional advantages.

Local governments should aim to create a dynamic, supportive environment to retain current companies and entrepreneurs, while also attracting and nurturing new companies, from startups to market leaders, that can provide strong growth for their economy. One important way to do this is through innovation clusters that bring together various players in the regional economy—notably research, education, and industry—to foster a creative climate of cross-fertilization, where advances are rapidly shared across disciplines and institutional structures.

HOW WE CAN HELP

The World Bank Group partners with countries and regions to design—as well as to implement and evaluate—innovation policies, programs, and investments that build on local strengths. Our work centers on the following areas:

1 **Strengthening governments' ability to make good innovation policy and design dynamic clusters**

- Analyzing the growth potential of sectors and clusters, determining ways to enhance competitiveness and export volumes, and designing strategies for the development of sectors and clusters on the basis of innovations and new business models
- Assisting in the design of infrastructure to support entrepreneurship, innovation, and exports
- Reviewing the effectiveness of current public spending on science, technology, innovation, business formation, export development, and cluster design; recommending ways to improve the economic impact of such expenditures
- Helping clients design and implement effective policies to support science, innovative clusters, entrepreneurship, and exports
- Designing state strategies to prepare for the Fourth Industrial Revolution (to be propelled by advances in artificial intelligence, robotics, and other technologies), and supporting the implementation of those strategies.

2 **Helping firms enhance competitiveness and export development through innovation and international partnerships**

- Supporting the development of innovation, exports, and technology upgrades—for example, through training, introduction of new management practices, acquisition of new technologies, and development of international partnerships
- Supporting the creation and development of corporate accelerators.

3 Improving the impact of public research organizations

Helping universities and institutes improve mechanisms and infrastructure to commercialize research, cooperate with industry, facilitate technology transfer, and create opportunities for innovative entrepreneurship

OUR TEAM IN ACTION

Globally

The World Bank Group has implemented projects on the development of innovation, science, entrepreneurship, clusters, and exports in many countries—among them Croatia, Georgia, Kazakhstan, Malaysia, Poland, Serbia, and Tunisia.

In Russia

At the federal level, the **Russian Venture Company** partnered with the The Bank Group to design and test a «venture acceleration network» made up of experienced, skilled, and well-connected individuals who provide hands-on support to entrepreneurs and help them grow their businesses. The client gained a better understanding of how to develop such programs.

The World Bank Group supported the **regional governments of Krasnoyarsk, Novosibirsk, and Tomsk**, as well as the **government of the Republic of Tatarstan**, in designing and implementing innovation and cluster policies and strategies, developing infrastructure to support innovation, and helping innovative companies become more successful through international partnerships.

In **Krasnoyarsk, Novosibirsk, Tomsk, and Ulyanovsk** and in the **city of Moscow** officials gained new qualifications and improved their ability to plan and manage innovation clusters. The Bank Group's work in the **Krasnoyarsk region** directly assisted firms located in the innovation cluster to become more competitive by strengthening their potential for innovation and developing international links.

In **Khanty-Mansiysk Autonomous District–Yugra** the Bank Group designed a concept for the creation of the regional Gas Processing Cluster that enabled the region to understand global trends in this area, prepare an action plan, and establish links with foreign technology companies.

The Bank Group also assisted Russian universities in improving innovation infrastructure and designing innovation support measures.

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ATTRACTING INVESTMENT

AND MAXIMIZING ITS LOCAL IMPACT

Productive private investment is an important lever of competitiveness and growth. Attracting foreign direct investment (FDI), in particular, helps link a country's domestic economy to global value chains in key sectors. This creates jobs, boosts exports, and generates positive supply chain spillovers, which, in turn, bring access to new technologies and improved business practices.

Although the Russian Federation has significant potential to attract higher levels of investment, markets for FDI are extremely competitive. Russia's regions will have to make a concerted effort to reach out to potential investors if they hope to attract and retain more FDI. In the absence of a national investment promotion agency, the regions must enhance their capacity to understand, anticipate, and respond to the requirements of investors (both foreign and domestic). They must actively market investment opportunities, engage with prospective investors, and assist them as they decide where to invest.

HOW WE CAN HELP

The World Bank Group supports scores of client countries in attracting, facilitating, and retaining investment funds of various types and in maximizing the positive spillovers of FDI for local economies. The WBG also helps regions within countries to better anticipate and respond to the needs of investors of all kinds. Examples of the activities that can be undertaken in partnership with clients include:

1 **Developing an FDI strategy and investment reform map**

Construct a framework of the different types of FDI flowing into your region's economy and the policy mixes and regulatory approaches required to maximize the potential benefits of each kind of investment.

Set sector-specific priorities and agendas for reform of your region's investment policies and promotion practices. This will help you attract, facilitate, retain, and maximize positive spillovers of FDI into the wider economy.

2 **Improving the effectiveness of investment incentives and other policies and practices to attract FDI**

Answer key questions, such as—are the incentives available in your region conducive to incoming FDI? Do they contribute to policy objectives such as job creation, export promotion, and sustainable development?

Seal the deal with investors by helping facilitate nondiscriminatory entry regimes, reasonable sectoral restrictions and performance requirements, and investment procedures that are as streamlined as possible.

Gauge your competitive position in priority sectors and enhance your investment-promotion capacity accordingly. We can help you build your capacity to reach out effectively to investors.

3 **Strengthening investor confidence to help clients retain and expand FDI**

Investment risks can and should be reduced by legal and regulatory measures to prevent unlawful expropriation, arbitrary actions, unauthorized payment transfers, and currency restrictions.

You can reassure investors by implementing best practices in tracking and resolving regulatory problems and in managing investors' grievances.

The correct follow-up program and situational awareness skills will enable you to consolidate relationships with investors, encouraging them to expand and diversify in your region and to deepen their links with local suppliers.

Use new media to create a web portal, and deploy other communications efforts to promote investments and to track current and prospective investors.

OUR TEAM IN ACTION

Globally

The World Bank Group enabled **APEX, Brazil's national investment-promotion organization**, and similar entities in two northern frontier states (Para and Pernambuco), to undertake targeted investor outreach that attracted more than \$1.3 billion in new investment, of which some 70 percent went to the two frontier states.

In **India**, the Bank Group helped define the state of **Rajasthan's** competitive proposition in the automotive, solar power manufacturing, and IT-enabled services sectors, resulting in (a) reforms to the investment environment that made all three sectors more attractive and (b) targeted sector outreach. These efforts helped create a pipeline of approximately \$2 billion in investment.

In Russia

In support of the **Middle Ural Development Corporation (MUDC)** in 2014, World Bank Group advisers analyzed the Sverdlovsk region's institutional arrangements for investment promotion, assessed MUDC's and other agencies' capacity to promote investment, and made recommendations for improvement. The final output included methodologies for selecting priority sectors for investment promotion, a sector-evaluation matrix for the region, and a guide «Four Key Components of Successful Investment Promotion.» As part of the work, the Bank Group delivered two investment-promotion training courses for MUDC staff and other stakeholders; workshops on global best practices in investment promotion were organized for senior staff from 10 ministries and agencies. The project raised awareness among regional policy makers of the effectiveness, costs, and benefits of coordinated investment promotion, while also strengthening the investment-promotion capacity of MUDC personnel and regional ministries.

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DEVELOPING WORLD-CLASS UNIVERSITIES

Higher education drives economic growth and sustainable development in Russia and around the world. But universities and institutions operate in a highly competitive market for students, faculty, state and national funding, and international recognition.

To be competitive in the national and global knowledge economy, many Russian universities seek advice to enhance their ability to attract the best staff and students, build programs, and establish their reputation. The World Bank (WB), whose higher-education specialists have helped universities in scores of countries succeed on the world stage, offers expert guidance and support in the design and implementation of ambitious development strategies.

HOW WE CAN HELP

Working in partnership with clients, WB higher education experts provide universities with up-to-the minute advice based on investment and consulting projects undertaken around the world. They help guide strategic planning and facilitate national and international cooperation in education and research.

Specific activities with clients include the following:

1 **Devising a strategy for the university as a whole or for a specific area of its operations (such as internationalization or the commercialization of research results)**

- Designing and executing a diagnostic of current conditions at your university and surveying the market in priority areas so as to provide a solid background for strategic planning
- Setting development objectives and priorities through strategy workshops and frameworks drawn from international best practices
- Building planning capacity and implementing strategic plans.

2 **Developing a quality-assurance system and performing an internal quality assessment based on international best practices**

- Designing a quality-assurance framework covering all of your university's programs. This gives you confidence that your institution is offering excellent value to your target audiences
- Benchmarking your academic and professional standards to applicable international standards. This is needed to gain accreditation (national or international) for programs in areas where accreditation can provide a competitive edge for your institution and its graduates
- Developing methods to assess your efforts to raise and maintain the quality of your offerings. Those methods include external review, course evaluations, peer review, tracking of graduates (alumni), and external examiners, among others.

3 **Raising educational programs to international standards**

- Comparing the curricula of your academic programs with those of your international competitors and helping you build on those qualities to attract the best possible students, professors, research teams, and associated resources. Altogether, these qualities will lead to student success after graduation and enhance your institution's reputation
- Providing support for planning, launching, and marketing new academic and professional programs (bachelor, master, and advanced professional training)—including programs taught in English or offered in cooperation with other universities.

4 Positioning and branding the university

- Increasing its global visibility by partnering with leading universities and research centers to develop joint research projects and mobility programs for students and scholars
- Facilitating the participation of your faculty in international professional associations and networks. One way of doing this is to help your faculty secure invitations to present their work at international conferences
- Attracting international students and research fellows to your institution by forging ties with leading universities in other countries, adopting good practices in the realm of international mobility, and setting up a system to assess the effectiveness of mobility programs
- Creating an effective infrastructure for your institution to develop and administer international exchanges and cooperation.

5 Leveraging faculty expertise to expand and focus the university's programs in research and innovation)

- Identifying research and development topics where your institution may hold a competitive advantage or that may be underexploited elsewhere
- Forming technological consortia with employers and research centers and facilitating technology transfer and the commercialization of your research products.

6 Delivering on your institution's promise to serve the community and surrounding region via adapting international best practices

Developing mutually beneficial ties in your region by identifying opportunities for joint projects, for community service by university staff and faculty, and for tapping the potential of local human resources.

OUR TEAM IN ACTION

Globally

In **Mexico and Brazil**, WB has helped regional universities raise the quality of their programs, increase fairness in admission policies and practices, expand civic engagement, and upgrade management systems for greater efficiency.

In **India and China**, we have helped universities create new educational programs, introduce quality assurance and assessment systems, and raise research capacity to the level of the best international benchmarks.

In Russia

The **Higher School of Economics (HSE)** and the **Russian Academy of National Economy and Public Administration** asked WB education advisers to assist them in benchmarking their efforts against international standards and best practices.

With that support, the HSE devised and implemented a strategy that enabled the institution to be designated a National Research University. WB serves as a strategic partner of the school's participation in Project 5-100, the goal of which is to maximize the competitive position of a group of leading Russian universities in the global research and education market. By implementing the Bank's recommendations, HSE has raised its position in quality rankings by 90 places in two years.

With WB support, the **Russian Academy of National Economy and Public Administration**—formed from a merger of 14 institutions—introduced a strategy for regional network development, a framework for internationalization, and a procedure for assessing institutional quality. It also reviewed all of its constituent institutions' programs in Russia's regions. A new master's program taught in English is attracting many international students.

A WB partnership with the **Khanty-Mansiysk Autonomous Okrug** and the **City of Surgut** enabled the university at Surgut to increase its visibility and demonstrate its innovative capacity, earning it additional funds from the regional budget. An office was created to support innovation, technological consortia were formed with several companies and research centers, and cooperative partnerships were established with European universities.

The **City of Kazan** turned to the WB for help with strategic planning and other services. Strategies developed with this assistance enabled three universities to increase their level of formal recognition within the Russian Federation. One became a Federal University; two others became National Research Universities.

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STRENGTHENING EARLY CHILDHOOD DEVELOPMENT SYSTEMS

Investing in young children through programs in early childhood development (ECD)—ensuring they have the right stimulation, nurturing, and nutrition—is one of the smartest investments a country can make to address inequality, break the cycle of poverty, and improve outcomes later in life. Evidence from developed and developing countries alike suggests that an additional dollar invested in high quality preschool programs will yield a return of anywhere between \$6 and \$17, with potential benefits that range from healthy social skills to greater capacity to learn while in school to increased productivity in adulthood.

Further improvement of ECD systems is a top priority for the government of the Russian Federation. In 2013, a new Federal State Standard on Early Childhood Development was approved, identifying top goals and key areas of focus to advance and expand ECD services across Russia. The ECD standard is moving ahead, but its successful implementation will depend on further development of ECD specialists' professional and teaching skills, application of a national quality assurance system, and improvement of infrastructure to support ECD.

HOW WE CAN HELP

With decades of experience in the field, the World Bank (WB) supports ECD through financing, policy advice, technical support, and partnership activities at the country, regional, and global levels.

A few examples of how we have partnered with clients follow:

1 Improving the effectiveness of national and regional systems and policies to provide better ECD and care service

Working directly with a country's ECD team, we use a WB diagnostic tool called «Systems Approach for Better Education Results (SABER),» to develop a comprehensive, comparative approach to multisectoral data collection and analysis. This helps countries assess their education policies in a systematic way and identify opportunities for improvements based on evidence, thereby advancing the ultimate goal of learning for all. The assessment relies on three steps:

- Inventorying current ECD policies and programs at the national and/or subnational level
- Evaluating and assessing these policies and programs to determine if they achieve three critical goals: (a) an enabling environment for ECD; (b) broad implementation; and (c) quality assurance
- Identifying policy options for strengthening ECD policies and achieving the three key goals, based on international comparisons as measured using the SABER-ECD policy classification rubric.

To date, more than 35 countries have used SABER tools to assess ECD policies and inform policy dialogue.

2 Supporting the establishment of independent ECD quality assurance systems at the national and regional levels

- Working alongside the ECD team to get a sense of the learning environment and then following up to implement regional and national quality assurance programs using the best national and international instruments
- Helping to develop appropriate and relevant training programs, test and adapt quality assurance tools, and devise and implement a regulatory framework for quality assurance in ECD.

3 Promoting new approaches to the design of ECD facilities

Building capacity and understanding concerning the role of learning environments (buildings, classrooms, furnishings, and grounds) through training programs, conferences and study tours on the design of learning environments; technical assistance in developing terms of reference for projects; analysis and facilitation of design and construction projects; and training in project management.

OUR TEAM IN ACTION

Globally

The **Strategic Impact Evaluation** Fund managed by the WB supports ECD impact evaluations in 31 countries around the world.

In Russia

Since 2009, the Bank has been carrying out research projects in early childhood development, starting with a joint project with UNESCO to assess the quality of pre-school education in six regions of Russia.

Since 2013, the WB has partnered with the **Education and Youth Policy Department of Khanty-Mansyisk Autonomous Okrug** to improve the quality and efficiency of the ECD and preschool education system through innovative design of kindergarten infrastructure. The WB team developed design and planning recommendations and provided them to the region. The innovative designs are cost and energy efficient and promote teaching and learning. The project has increased the capacity of regional education and construction specialists to design child-centered and energy-efficient kindergartens through training in the design of learning environments offered to education policy specialists, ECD administrators and educators, and builders.

Since 2015, the WB has been working with **Moscow City University** (a) to develop and pilot an evidence-based ECD quality assurance system that incorporates international best practices, and (b) to draft the regulatory framework for the Department of Education of the city of Moscow. The first elements of the new system—notably a municipally targeted quality assurance tool based on the methodology of the Early Childhood Environment Rating Scale and a pool of local quality assurance experts—are already in place.

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BUILDING ASSESSMENT CAPACITY

FOR BETTER EDUCATIONAL OUTCOMES

As more countries have become interested in collecting information on student learning, there has been a parallel growth in the demand for strong systems of student assessment. Governments and nongovernmental organizations recognize the key role that assessment plays in an effective education system. By building evidence about good teaching and learning practices as well as deficiencies, assessment makes possible reforms, improvements, and, ultimately, best practices.

The World Bank is at the forefront of efforts to support countries in strengthening their student assessment systems. Through analytical work and technical assistance, we help countries improve their student learning outcomes through the design and implementation of robust systems for student assessment.

HOW WE CAN HELP

The education sector is one of the key areas of Russia's development assistance. Its efforts have focused primarily on the quality of school education in support of the Sustainable Development Goals. That focus is expressed in the Russian government's decision (initially in 2008 and then again in 2015) to finance a joint Russia–World Bank program known as "Russia Education Aid for Development" (READ). Through READ, Russia is using its capacity for education policy analysis and educational assessment as a resource for international development.

In Russia, the World Bank is supporting READ in a multi-year program designed to build Russia's ability to deliver development aid with a special focus on the quality of education. At the same time, this work is adaptable to Russia's own school systems.



OUR TEAM IN ACTION

Globally

The World Bank's **Results in Education for All Children (REACH)** program supports better education, especially for those most excluded, by helping countries focus on results. In **Indonesia**, REACH supports piloting of performance-based contracting in Jakarta's schools. In **China**, the program supports assessment of teaching practices for changes in the classroom. In **Colombia**, it supports the development of results-based monitoring systems. In **Zimbabwe**, REACH supports results-based financing of early childhood development.

The **READ Trust Fund (READ)** helps low-income countries improve student learning through the design and deployment of robust systems for student assessment. In **Angola, Armenia, Ethiopia, the Kyrgyz Republic, Mozambique, Tajikistan, Vietnam, and Zambia**, READ has supported activities that addressed gaps in learning assessment. Under the READ program, new agencies or units for assessment activities have been established in four countries. New policies governing assessment activities have been adopted in six countries. New testing instruments have been developed in eight countries, and more than 20,000 individuals have received training in student assessment.

In Russia

READ's results have demonstrated the ability of the Russian expert network to deliver outputs of high quality and relevance, opening new opportunities for Russia as a global donor. Activities have brought together specialists in the area of student assessment, broader education experts, education policymakers, and government officials.

Under the READ program, the **Center for International Cooperation for Education Development (CICED)** and its expert council are fully operational. CICED is becoming recognized by international partners and has established bilateral connections with recognized international institutions.

Master's degree programs were established in two Russian universities. Both have achieved several successful cycles of admission and graduation.

A **training center on education policy** was established, covering the Commonwealth of Independent States and other countries in Europe and Central Asia. In more than four years of operation the center has offered learning events to 6,573 participants, including 5,298 from the Russian Federation and 1,275 from Azerbaijan, Armenia, Belarus Republic, Kazakhstan, Kyrgyz Republic, Moldova, Tajikistan, and Turkmenistan.

Four rounds of a **small grants program** took place in 2010-14. Of 57 proposals from 11 countries (involving more than 200 researchers), 13 programs received awards.

A newly launched three-tier expert development program provides for the inclusion of Russian experts in large international projects. The program promotes Russian expertise abroad by including Russian experts in the activities of international organizations such as the World Bank.

The Eurasian Association for Educational Assessment was launched as part of the READ program. An international journal and conferences have built strong relationships among experts from the countries that participated in the network.

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REFORMING HEALTH CARE

AND MAXIMIZING ITS LOCAL IMPACT

Health care payment systems are the set of rules by which providers of health services are reimbursed for the care they provide their patients. These can be seen as sets of incentives and disincentives that affect the providers' behavior and thus the quality and quantity of health care that patients receive; similarly, it can impact patient behavior and how they access their medical care. The nature of a payment system also affects the overall costs, efficiency, and effectiveness of the health system. Determining the optimal system is an ongoing challenge throughout the world.

Since the 1980s—in order to optimize quality and efficiency in the delivery of health care services and to increase transparency and simplicity of reimbursements for those services—the world's industrialized countries and a growing number of developing ones have turned to so-called prospective payment systems under which the amounts that providers receive for given services are specified in advance. These prospective systems include capitation and diagnosis-related groups:

Capitation pays physicians or groups of physicians per covered individual per month (or other period of time), whether or not the individual seeks care (rather like a retainer fee that guarantees a base income).

Diagnosis-related groups (DRGs) are designed to reimburse providers of inpatient services fairly and adequately, while discouraging the provision of unnecessary services.

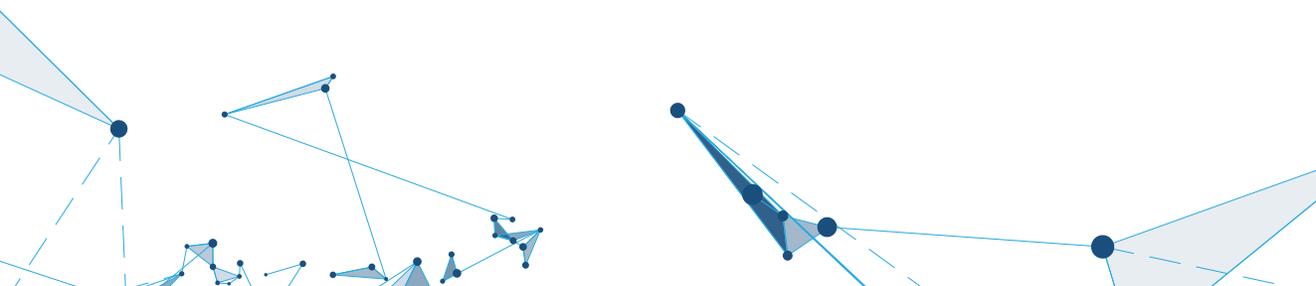
HOW WE CAN HELP

For many years and in many countries, the health-system experts at the World Bank have helped national and subnational governments and their insurers design, refine, or reform their systems for compensating providers of health services.

World Bank technical assistance has focused on the design and implementation of capitation systems for providers of primary health care services; frameworks for monitoring and evaluating quality and efficiency of care; and the feasibility of performance-based payments to supplement basic capitations.

Our teams have assisted governments and insurers in developing payment systems based on diagnosis-related groups. Clients have learned to model and assess the financial risks involved in implementing DRG-based reimbursement for hospital care; to devise risk-mitigation measures and adjustment coefficients for groups of similar medical organizations; to monitor and evaluate advances in the DRG-based model; and to develop information systems to support DRG-based payment systems.

To build capacity within government agencies, we have organized training events and courses in the design, implementation, monitoring and evaluation of provider payment reforms.



OUR TEAM IN ACTION

Globally

The World Bank has supported reforms of systems of reimbursement of providers of health care services in several Balkan countries, Kazakhstan, and Moldova, among others.

In Russia

In 1993, the Russian Federation established a mandatory health insurance system; while each region remained free to devise its own system to pay health service providers, the systems of several regions did not reward efficiency and quality of care. After a consensus emerged that reform of the federation's payment systems was urgently needed, the **Federal Mandatory Health Insurance Fund (FMHIF)** sought technical assistance from the World Bank to design and implement a new prospective payment system for providers of inpatient and outpatient health services.

In 2012, in partnership with the FMHIF, the Bank designed a DRG-based provider payment system for inpatient care based on the key principles and characteristics of DRG models in use around the world. Its patient classification is based on ICD-10 and the Russian classification of operations and procedures. Following approval by the Federal Ministry of Health and the FMHIF, the system was recommended for implementation across the Russian Federation and piloted in several regions. In 2013, 2014, and 2015, World Bank experts were involved in refining the DRG-based payment model for Russia based on clinical and cost data derived from a sample of hospitals in the pilot regions. The number of diagnostic groups grew from 181 to 315, with the addition of new groups and specialties, including oncology, childhood diseases, rehabilitation care, etc.

At the regional level, the Bank has supported the health insurance funds of 11 entities of the Russian Federation in the regional implementation of the national provider payment reform: Kemerovo Oblast, Khabarovsk Krai, Kirov Oblast, Krasnodar Krai, Lipetsk Oblast, Moscow Oblast, St. Petersburg, Sverdlovsk Oblast, Stavropol Krai, the Republic of Tatarstan, and Tomsk Oblast.

The project provides evidence that a single, unified DRG-based model can be successfully implemented in regions with very different economic and social characteristics. The model is flexible enough to take into account the specific regional conditions while preserving a unified approach to the DRG structure with a standardized classification of clinical cases and common cost weights. Implementation resulted in significant narrowing of the previous variance in fees assessed for the same services at different regions. It created strong incentives for changing provider behavior and improving hospital performance, including a shortening in the length of the average hospital stay, growth in the proportion of complex cases in the case-mix structure (including surgical interventions), an increase in productivity, and the introduction of innovative medical technologies.

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MAXIMIZING EQUITY RESILIENCE, AND OPPORTUNITY IN SOCIAL PROTECTION SYSTEMS

Countries need well-designed and implemented social protection systems to protect their citizens from a range of economic and social risks, including poverty. Ideally, such systems should provide not only short-term assistance but also a long-term route to stability. Programs that invest in human capital are the surest way to provide a path to prosperity, but social protection should also sustain the disabled and the aged.

The Russian Federation's system of social protection comprises a great many small programs devoted to social insurance, social assistance, and labor market policies and programs. The largest segment of the budget, however, is devoted to pensions. The system could benefit from consolidation and better targeting of intended recipients (for example, through better use of data and means testing). Labor market programs face an assortment of challenges, notably the need to increase employment among youth and seniors, build a skilled work force, and integrate informal workers into the formal labor market.

HOW WE CAN HELP

The World Bank has decades of experience in helping countries establish and refine social protection schemes. It partners with federal and regional governments and policymakers in a variety of ways to rationalize and modernize their systems:

1 Assessing social protection systems

- Collecting detailed administrative data on social protection programs in order to determine how well programs are reaching target populations
- Developing a methodology for establishing performance indicators, based on international experience and estimates from population surveys
- Conducting public expenditure reviews and in-depth analyses of data on social protection indicators
- Designing and conducting ad hoc surveys to provide analytical foundations for modernization
- Preparing, discussing, and disseminating reports that benchmark a given social protection system against international standards
- Including the beneficiaries of social protection programs in discussions and planning.

2 Modernizing social protection systems

- Developing strategies for strengthening the social protection system based on data analysis and national and international experience
- Preparing plans for implementing effective, affordable, and sustainable systems of social protection
- Modeling pension systems to predict effectiveness.

3 Reviewing and disseminating best international practices

- Reviewing international experience with reform of social protection systems
- Organizing seminars, study tours, and other events to learn from best international practices

- Planning and arranging training and capacity-building events, including preparing training materials and inviting speakers
- Sharing best practices on regulations, operational manuals, guidelines, and other material related to social protection.

4 Increasing the international visibility of a country's efforts

- Supporting the participation of countries' and regions' representatives in international forums on the development of modern social protection systems
- Presenting and disseminating best practices at international events and among the international expert community.

5 Fostering job creation, and skills development

- Designing and implementing integrated jobs strategies, including jobs/skills diagnostics and jobs strategies
- Promoting employment programs for youth and seniors.

OUR TEAM IN ACTION

Globally

In the last two decades, the World Bank has prepared **259 studies and reports** on social protection systems and conducted jobs diagnostics in more than **30 countries**. These activities have modernized and strengthened social assistance, social safety nets, social insurance, and labor market policies, programs, and delivery systems by building capacity among system planners and service providers, promoting accountability in service provision, improving the coverage and quality of services. The Bank helps countries craft solutions that recognize the changing nature of employment, the aging of the population, and the synergies and efficiencies to be gained from coordinating social assistance and social insurance systems. Many clients have called on the Bank to focus on skills development and employment among youth. In some cases, Bank teams have helped clients develop social protection systems capable of responding to natural and man-made crises and shocks or to address challenges posed by migration and internal displacement.

In Russia

In 2016 the **Ministry of Finance** requested assistance in improving the effectiveness of the federal social assistance system. In response, the Bank began a three-year program of collecting, analyzing, and integrating data on social protection programs at the federal and regional levels. The result of the effort, entitled «Moving to an Efficient Social Protection System in Russia: Targeting, Adequacy and Unification,» was prepared jointly with Russia's Finance Research Institute. At the regional level, the Bank's social protection team has partnered with the **Volgograd Oblast** to conduct a sociological survey of social program participants. The purpose of the survey was to provide empirical evidence and advice for actions to improve social assistance.

Questions?

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TOWARD PARTICIPATORY BUDGETING

AND OTHER FORMS OF LOCAL CITIZEN ENGAGEMENT

The World Bank's Russia Local Initiatives Support Program (LISP) applies community-participation techniques in Russia's regions to involve citizens in issues of local importance, such as institutional infrastructure for the delivery of social services or decisions on budget priorities. In 2016, to support, develop, and expand LISP and other citizen-engagement and community-driven practices in Russia, the federation's Ministry of Finance and the World Bank launched a joint project «Strengthening Participatory Budgeting in the Russian Federation.» The ministry's participation makes it possible to involve more regions in LISP and to replicate LISP in regions that are not able to reimburse the Bank directly for its advisory services.

HOW WE CAN HELP

The World Bank supports Russia's regional governments in the design, capacity building, and implementation of participatory programs based on the best and the most relevant national and international experience. Examples of specific activities that can be undertaken by regions through the partnership with the Bank include:

1 **Planning, launching, and operating citizen-engagement programs**

Preparing a package to plan, launch, and implement a LISP program in regions that express a serious interest, including an operational manual, an application form, a list of criteria for evaluating applications, a template for monitoring reports, and guidance for local leaders on organizing and conducting community meetings.

2 **Developing institutional infrastructure for participatory budgeting in the regions**

Assisting regions in establishing and strengthening the capacity of regional participatory budgeting centers to support regional ministries.

3 **Strengthening the capacity of regional and local stakeholders to implement and monitor participatory budgeting, community-driven projects, and other LISP programs**

- Conducting capacity-building events for regional stakeholders and advising them on key design and implementation issues
- Organizing training for local authorities and staff at the regional participatory budgeting centers on issues such as how to engage citizens in decision making, how to organize an effective community meeting, how to attract co-financing, how to prepare an effective application to participate in LISP, how to collect and process applications, how to avoid fraud or corruption via monitoring and evaluation, and how to automate processes
- Ensuring the authenticity of citizens' engagement in the decision-making process and the transparency of all procedures.

4 **Connecting Russia's regions with national and international communities of experts to exchange information, experience, and best practices in the area of participatory budgeting and community-driven development**

- Conducting all-Russia workshops for regional authorities and the representatives of regional project centers

- Organizing international study tours to enable Russian practitioners of citizen engagement to absorb best practices
- Conducting international conferences in Russia and presenting the Russian experience in participatory budgeting events abroad.

OUR TEAM IN ACTION

Globally

The World Bank currently supports approximately **400 community-driven development projects in 94 countries**. These projects respond to a variety of urgent community needs, including water supply and sanitation, construction of schools and health facilities, nutrition programs for mothers and infants, and construction of rural access roads.

In 2007 the World Bank helped **Indonesia** launch the ongoing National Program for Community Empowerment (PNPM), now the largest community-based poverty program in the world. Designed to improve socioeconomic conditions and local governance, PNPM comprises five core programs: PNPM-Rural, PNPM-Urban, Support for Poor and Disadvantaged Areas, Regional Infrastructure for Social and Economic Development, and Rural Infrastructure Support to PNPM. In **Armenia** the World Bank is helping the government to improve the quality and effectiveness of community infrastructure under the Social Investment and Local Development Project. Local populations throughout Armenia will benefit from the renovation of community centers and facilities for education (schools, kindergartens), health and social services, water supply, waste management, and agriculture (irrigation, processing, storage, markets).

In Russia

Since 2007, under the LISP program, the World Bank has provided Russia's regions with assistance in design and implementation of local initiatives. This enabled **nine regions** (Stavropol Krai, Khabarovsk Krai, Kirov Oblast, Nezhegorodskaya Oblast, Tver Oblast, the Republic of Bashkortostan, the Republic of North Ossetia-Alania, the Republic of Sakha (Yakutia), and the Jewish Autonomous Oblast) to pilot and scale up their programs and to strengthen the capacity of local stakeholders.

Under LISP, more than four thousand public meetings have been held in Russian regions with World Bank assistance, with total attendance exceeding 150,000. The direct participation of communities in identifying priorities helps change people's attitude about their own role in regional development and increases their trust in and use of existing mechanisms of local self-government.

In 2016 alone more than a thousand participatory projects aimed at improving local institutional infrastructure were implemented in Russia's regions. More than a thousand regional and municipal officials participated in informational and learning events supported by the World Bank.

In the same year, the total budget of regional participatory projects reached 4.5 billion rubles (\$750 million). About a third of the budget is locally co-financed—15 percent from municipalities and another 15 percent from local businesses and individuals. The requirement of cofinancing ensures that issues or projects addressed by LISP are selected in accordance with the interests of local residents.

With the launch in 2016 of «Strengthening Participatory Budgeting program in the Russian Federation,» a joint project with the federal Ministry of Finance, the Bank expanded its LISP support to **42 regions**; 20 new regions will launch programs beginning in 2017 and 7 others will strengthen ongoing programs. The Bank's assistance has focused on developing the institutional infrastructure for participatory budgeting and other forms of citizen engagement, facilitating the exchange of experience across regions and implementing agencies, conducting information and capacity-building activities for regional and local stakeholders, and offering ongoing advice on participatory budgeting to all project participants.

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