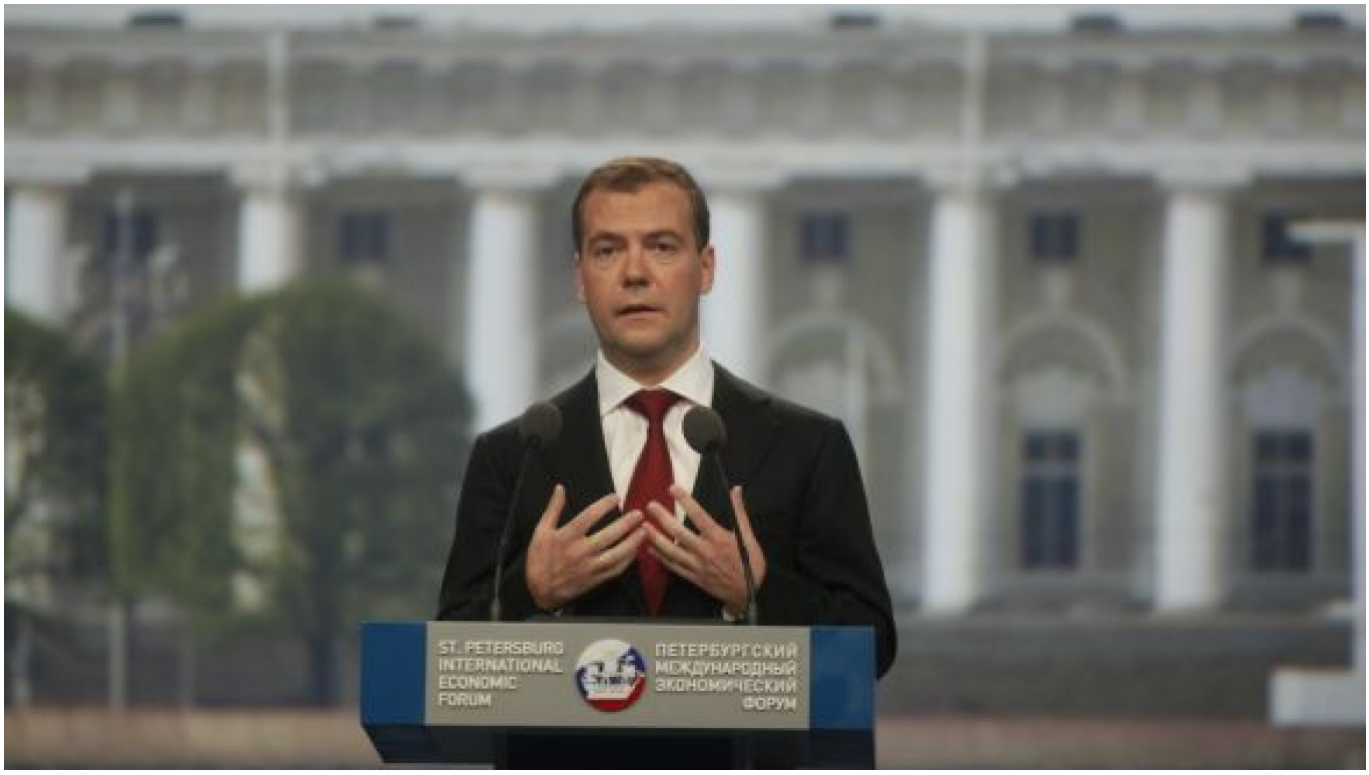
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SPIEF 2012: Taking Stock of Medvedev's Promises at Last Forum

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Then-President Dmitry Medvedev addressing business leaders and politicians at the St. Petersburg International Economic Forum in June 2011. **Andrei Makhonin**

Some of the proposals made at the previous St. Petersburg International Economic Forum by then-President Dmitry Medvedev sought to facilitate enormous changes in the legal, economic and physical landscape of the country.

The ultimate goals, such as selling off more state assets and letting Moscow expand beyond its current city limits, were so ambitious that they would clearly take longer than a year to reach.

Yet what his orders envisioned was not impossible.

With regards to privatization of state assets, he simply told the Cabinet to draw up a new, expanded list of assets that should wind up with new investors. But in the tumultuous global

market, the outcome was basically a delay of many sales that the government initially slated for this year and 2013.

An effort to delegate more powers — and revenues — to regional governments seems to have stalled. What Medvedev ordered was only the creation of a concept for doing this, and it looks like there has been very little execution since Medvedev last discussed the proposals, details of which weren't made public, in December.

At the same time, one move in the opposite direction is making it through in short order. As of this year, the federal government has taken over control of the police force, which used to be under regional command. With it, the Kremlin took some revenue from regional coffers.

The grand endeavor proposed by Medvedev of expanding Moscow has actually moved apace. In St. Petersburg, he raised the prospect of merely considering the issue, but the process will reach an important milestone July 1, when City Hall formally becomes responsible for a hefty new chunk of land. Even so, disputes continue about whether the federal budget can afford to build new government offices on the new areas — and exactly where they should be.

The street protests in Moscow, which have become a staple of city life since the State Duma elections in December, appear to have proved no distraction for Medvedev in shepherding through his orders.

Here's an overview of the specific promises made by Medvedev at last year's forum and what's been done about them:

Promise: Medvedev ordered the Cabinet to modify its privatization plan to let go of controlling and blocking shares in more companies. He demanded an expanded list of asset sales by Aug. 1, 2011.

Result: Done, although not a single privatization occurred since then — a delay blamed on poor market conditions.

The Cabinet complied with Medvedev's order, releasing an updated proposal Aug. 3. Medvedev backed the plan, but the Cabinet never formally issued it as a decree, meaning the old course of action was still in force.

Moreover, the existing plan, in place since November 2010, fell far behind schedule.

It wasn't until June 7 that Medvedev himself, as the new prime minister, formally adopted the longer list of state assets slated for sale. The new plan, however, delayed some of the major privatization deals from the initial schedule.

Medvedev's program not only covers the previous time frame of 2011-2013 but also mentions intentions beyond that, Economic Development Minister Andrei Belousov said. Officials frequently announced ideas to go for even more selloffs after 2013 but never before spelled them out in any formal decree.

As of June 15, the Cabinet had yet to release a decree that officially records Medvedev's plans for before and after 2013.

Some of the changes that Medvedev approved for the 2011-2013 privatization plan are as follows:

- Assets added to the list include a stake in diamond miner Alrosa and 10 percent in high-tech investor Rusnano.
- Off the list are sales of 25 percent minus one share in oil champion Rosneft; 25.5 percent minus one share in the country's second-largest lender VTB; 4.11 percent minus one share in the Federal Grid Company, the operator of the national electric grid; 50 percent minus one share in farming equipment leasing firm Rosagrolizing; and 25 percent minus one share in Russian Railways.
- The stake offered in shipper Sovcomflot contracted to 25 percent minus one share. It was previously 50 percent minus one share.

Medvedev was bolder in mapping out the course for subsequent privatizations, to take place in 2014 and 2015. His proposals include sales of stakes in the energy companies that went off the previous list, such as Rosneft. There's a catch, however: Under a May decree by President Vladimir Putin, another state company, Rosneftegaz, could end up buying these stakes, which would devalue the concept of these privatizations. Here are some of the plans moving forward:

- An eventual complete exit by the state from Rosneft, oil producer Zarubezhneft, renewable energy producer RusHydro, power generator Inter RAO, Alrosa, banks VTB and Rosselkhozbank, United Grain Company, airline Aeroflot, Sheremetyevo Airport and Sovkomflot.
- Sale of 99.9 percent of Rosagrolizing.
- Reduction of the state holdings to 75 percent plus one share in oil pipeline monopoly Transneft, Federal Grid Company and Russian Railways.
- Reduction of the state holdings to 50 percent plus one share in the United Shipbuilding Company, United Aircraft Company and tank builder Uralvagonzavod.
- Further privatization of Sberbank, if deemed possible in the course of a review being led by First Deputy Prime Minister Igor Shuvalov.

Promise: Medvedev promised to set up a working group that would generate ideas for delegating more authority to the regional and municipal governments and enabling them to garner higher revenues.

Result: A few days after the close of last year's forum, Medvedev signed a decree to create two working groups headed by Deputy Prime Minister Dmitry Kozak. One working group began investigating legal aspects of the idea, dubbed "decentralization." The other group, under the command of Deputy Prime Minister Alexander Khloponin, looked into the financial characteristics.

Medvedev received reports from the groups in December and consulted governors about the idea at a session of his advisory State Council later that month. He most recently spoke about dispensing more authority to the lower levels of government in a State Duma speech before the chamber endorsed him as prime minister May 8.

The federal government is reviewing the options of what specific powers it will transfer and the revenue sources for the local budgets to support these powers, he said. The additional

funding has to be 1 trillion rubles, he said.

The federal government could cancel tax holidays on some of the local taxes, he said. The Finance Ministry is proposing to gradually strip Gazprom of its exemption on the property tax — one of these local taxes — starting next year.

Medvedev said the creation of "new sources" of revenue was also on the table.

Promise: Medvedev ordered measures to improve the judicial system, including the development of mediation courts and overall improvement of judges' qualifications. He also ordered measures for more effective disciplinary action against judges and a more competitive selection process.

Result: In December, Medvedev signed a bill that gave more independence to judicial examination boards by making them a separate, elected entity of the judicial system, rather than ad hoc groups.

At the latest meeting in February, where further changes were discussed, Medvedev and top Justice Ministry and court officials reached no final decisions about what judicial agencies should provide references for a candidate judge, Kommersant reported. They also agreed to continue debating how judges should be disciplined.

Promise: At last year's forum, as a tool to fight corruption, Medvedev proposed the introduction of measures to dismiss an official suspected of graft, even if the result of police investigations didn't yield a strong enough case to stand up in court. The grounds for such dismissals could officially sound like "loss of confidence by the employer."

Medvedev ordered consideration of the concept of personal liability for state officials in cases of negligence and malfeasance, to include such officials having to compensate the government should it wind up paying damages to victims who bring a lawsuit.

Result: Medvedev in November signed a law that allowed the firing of officials if their superiors lose confidence in them. Under the law, loss of confidence could result from conflict of interest, failure to report income, running a company, doing business and helping manage a foreign nongovernmental organization.

The same law spelled out the procedure for the state to make claims against its own officials — such as investigators, prosecutors or judges — if these officials, in exercising their duties, caused damage to an individual or company that then gained compensation from the federal, regional or municipal treasury. The grounds for the recovery include rulings by the European Court of Human Rights.

Promise: Medvedev promised to propose amendments to address situations when officers of the law bring charges against citizens for purposes of extortion or corporate raiding. Such tweaks to the law would allow prosecutors to punish officials who abuse their powers to investigate and indict people.

In particular, Medvedev proposed that prosecutors be obligated to investigate criminal indictments that didn't make it to court. It is common for people to pay to have charges, real or imagined, dropped.

Result: No amendments have been introduced to that effect, according to National Anti-Corruption Committee chairman Kirill Kabanov. The St. Petersburg-based Institute of the Rule of Law, a think tank, has said that 20 to 40 percent of economic crime cases reach court.

Promise: Medvedev said he would seek legislative amendments to help develop Moscow as a high-profile international financial center. He also insisted on finally passing a law to establish a central stock depository. The government will repeal many restrictions on the placement and trading of Russian securities abroad in the near future, he said.

Result: The Federal Financial Markets Service in November published a proposed order that would repeal the placement restrictions, which limit offerings outside the country to 25 percent of the total stock, as of January 2013. The proposal was never formally signed, and the service's deputy chief, Yelena Kuritsyna, said last month that the restrictions would most likely remain for a while longer.

The central depository law went into effect in January, but the institution hasn't yet fully ramped up.

Promise: In pursuing visa-free travel to the European Union, Russia will allow foreign investors and entrepreneurs who have substantial business in the country, as well as people who are involved in the Skolkovo project and the creation of a financial center in Moscow, to obtain long-term visas.

Result: The Cabinet on Sept. 5 issued Decree No. 732, which ordered consulates and migration officials to issue multi-entry, rather than single-

entry, visas to "highly qualified specialists." That decree appeared to be in response to Medvedev's orders, said Sergei Melnikov, a department chief at law firm Your Lawyer.

Another measure to comply with the orders, Melnikov said, was the development of a bill that Medvedev signed into law Nov. 30.

The legislation made it easier for foreigners to obtain visas if they work inside a special economic zone. Under the law, a foreign "highly qualified specialist" heading to one of these zones has to receive annual remuneration of at least 700,000 rubles to qualify for a quicker visa process.

That compares to the 2 million rubles per annum requirement for most other "highly qualified specialists."

Alexei Filipenko, at Visa Delight, said Skolkovo was not specifically mentioned in any visa-related legislation over the past 12 months.

Promise: Medvedev ordered the consideration of expanding the Moscow city limits, with a view toward moving a significant portion of government offices outside the current boundaries.

Result: As of July 1, Moscow City will grow by 140 percent, or by 148,000 hectares. Its new lands southwest of the city reach to the boundaries of the Kaluga region.

Already Europe's largest city, Moscow will add another 250,000 residents.

The city's population was listed as 11.5 million in the 2010 census, but the actual figure, including migrants from within the country and abroad, may be upward of 13 million.

The Moscow municipal and Moscow regional governments agreed to adjust their border in December, and they established a transition period, which ends next month.

The Federation Council, the parliament's upper chamber, which has power over regional territorial issues, sealed the agreement later in December.

City Hall has since appointed Alexei Chelyshev to run the annexed territory. He is also the prefect of Moscow's adjacent Southwestern Administrative District.

In April, while still president, Medvedev ordered the Cabinet to submit proposals about moving some of the federal government offices to the new environs. The deadline he set for the proposals is July 9, so now that he's prime minister, it's time to comply with his own edict.

The tentative plan, which the Kremlin issued in April, is to relocate the following institutions:

- State Duma
- Federation Council
- Federal agencies
- Kremlin administration
- Cabinet staff
- Prosecutor General's Office
- Investigative Committee
- Audit Chamber
- Supreme Arbitration Court
- Moscow District Arbitration Court
- Appellate Arbitration Court No. 9
- Supreme Court
- Moscow City Court

Construction of their new offices will not begin until after the end of 2013, the tentative plan said. The relocation will start at the end of 2014 at the earliest.

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