

Monetarna politika in izzivi javno-zasebnega partnerstva, 16. junij 2022

I. Monetray policy update

Central Bank of Russia cut key rate by 150 bp to 9.50 % p.a.

On 10 June 2022, the Central Bank of Russia Board of Directors decided to cut [the key rate](#) by 150 basis points to 9.50% per annum. The external environment for the Russian economy remains challenging and significantly constrains economic activity. At the same time, inflation is slowing faster and the decline in economic activity is of a smaller magnitude than the Central Bank of Russia expected in April 2022. This comes as a result of ruble exchange rate movements and the tailing-off of the surge in consumer demand in the context of a marked decline in inflation expectations of households and businesses. According to the Bank of Russia's forecast, given the current monetary policy stance, annual inflation will total 14.0–17.0% in 2022, decline to 5.0–7.0% in 2023 and return to 4% in 2024.

Source: <https://www.cbr.ru/eng/press/pr/?id=36014>

Central Bank of Russia explores plans to introduce fees on FX accounts and need to take supervisory measures

Several Russian banks have announced their plans to start charging account maintenance fees on household foreign currency accounts. The Central Bank of Russia understands that banks are concerned about the risks arising from foreign currency handling. However, the regulator believes banks should not make service conditions worse for existing customers.

Related document:

A unilateral change in the terms of a bank deposit agreement, aimed at reducing its validity period, reducing the amount of interest, increasing or introducing commissions, is a violation of the law on banks and banking activities. Thus, banks cannot set commissions on already opened foreign currency deposits.

After the introduction of sanctions against the Russian financial sector, foreign exchange transactions for both banks and citizens may carry risks. Therefore, banks will continue to reduce the volume of their foreign exchange transactions. Banks may refuse to offer currency products to customers.

Source: <https://www.cbr.ru/press/event/?id=12932>

Cancellation of mandatory sale of foreign exchange earnings for exporters

On June 9, 2022, President Putin lifted the requirement for Russian exporters to sell 50% of foreign exchange earnings. Now companies will have to sell foreign currency in the amount that will be determined by the Government Commission on Foreign Investments, and the terms of the sale will be set by the Central Bank of Russia, follows from the published Presidential decree.

From February 28, 2022, exporters were obliged to sell 80% of foreign exchange earnings under all foreign trade agreements within three working days from the date of receipt. The requirement applied, among other things, to revenue credited from January 1, 2022. The mandatory sale was introduced after the Central Bank lost the opportunity to intervene in the foreign exchange market due to the freezing of part of its gold and foreign exchange reserves.

In mid-April 2022, the Central Bank of Russia eased foreign exchange controls for the non-resource non-energy sector, increasing the period for the mandatory sale of foreign currency from three to sixty business days. From May 24, 2022, the sales ratio has been reduced to 50% for all exporters. The Ministry of Finance explained that decision by the stabilisation of the ruble exchange rate and a sufficient level of liquidity in foreign currency on the domestic market.

Source: <https://www.rbc.ru/economics/09/06/2022/62a1d2eb9a7947778f9824bc>
<https://www.vedomosti.ru/economics/articles/2022/06/09/925976-vliyanie-otmeni-prodazhi-viruchki>

II. Challenges in Public-Private Partnership (PPP) in Russia in 2022

Background

Public-private partnership (PPP) is a mechanism for attracting private investors to address socially important issues under mutually beneficial terms. As a rule, PPP arrangements are used for implementing long-term projects intended to setup and operate public infrastructure facilities.

Projects with commercial close in 2020-2021

- Utilities projects prevail in the market by the number of commercial closes, while transport sector leads in terms of finance raised.
- Transport accounts for more than half of the total investments.

In 2021, the two sectors had almost equal shares of the investments: utilities accounted for 45 % and transport - for 47 %.

Current situation

Sanctions imposed after 24 February 2022 have impacted the economic state of PPP market players as well as investment activity of the business community, resulting in the following:

- Rising key interest rate (hindering debt raising)
- Soaring prices of constructional materials (hampering determination of the ultimate cost)
- Required substitution of the technology (restricted import of foreign equipment and components)
- Project implementation difficulties caused by sanctions (currency payments, Rouble volatility, foreign exchange differences)
- Complicated long-term planning for project structuring and implementation.

Government support

At the same time, the Russian Government takes measures to support those who suffered most from imposed sanctions and their consequences.

Key support measures:

- Subsidised interest rates on loans taken by concession holders/ private partners;
- Expanded application of infrastructure bonds;
- Subsidies for Russian regions;
- Additional support measures for the construction industry;
- An option to amend concluded concession agreements due to the increasing construction cost in a simplified procedure;
- Regions may conclude concession agreements without tenders (for particular projects).

Sources:

AEB weekly webinar "Crisis Update: Sanctions and Countermeasures" held on June 2, 2022.
Presentation by Vladimir Sokolov, Director, Head of Energy, Natural Resources, PPP and Infrastructure practice, LLC "Technologies of trust"

The latest updated information on practical application of sanctions imposed on Russia, provided by Schneider Group Moscow, is available at the following link:

<https://drive.google.com/file/d/1njayB6CRsFOf-R6n3AvamxOGVVwyuoue/view>

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