

Presidential Address to the Federal Assembly

Vladimir Putin delivered the Annual Presidential Address to the Federal Assembly. The Address was traditionally delivered at the Kremlin's St George Hall.

The Kremlin, Moscow, December 1, 2016

President of Russia Vladimir Putin: Good afternoon colleagues, members of the Federation Council, State Duma deputies, citizens of Russia,

Today, as usual in these annual addresses, I will speak about our tasks in the economy, the social sector, domestic and foreign policy. This year's address will focus particularly on the economy, social issues, and domestic policy.

We have to address all of these different matters in complicated and highly unusual conditions, which is not a unique event in our history. The people of Russia have shown convincingly once again that they can rise to the difficult challenges and protect and defend their national interests, sovereignty, and independent course.

Colleagues, I have already said publicly on other occasions what I want to say today, but let me say it again now.

Our people have united around patriotic values. We see this unity and we should thank them for it. They have united around these values not because everyone is happy and they have no demands, on the contrary, there is no shortage of problems and difficulties. But people have an understanding of their causes and, most importantly, are confident that together we can overcome these problems. It is this readiness to work for our country's sake and this sincere and deep-seated concern for Russia that form the foundation of this unity we see.

People expect at the same time to have broad and equal opportunities for self-realisation and for making reality their business, creative, and civil initiatives. They expect respect for their person, their rights, freedoms, and labour.

The principles of justice, respect, and trust are universal. We are consistent in defending these principles on the international stage, and, as we see, not without result. But we must put the same effort into guaranteeing these principles here at home, with regard to every individual and to society as a whole.

People take any injustice and untruth very much to heart. This is a distinguishing feature of our culture in general. Our society resolutely rejects arrogance, conceit, insolence and selfishness, no matter in who they see it. Our people place greater value on qualities such as responsibility, high moral standards, concern for public interests, and readiness to listen to others and respect their opinion.

This was reflected in the election campaign that took place this year. As you know, I supported in my 2012 Address the idea of returning to a mixed model for elections to the State Duma. This was a principled step towards meeting public opinion's demands.

I think that our course of developing the political system, the institutions of direct democracy, and of making elections more competitive is completely justified, and will certainly continue.

The State Duma has bolstered its role as a representative body and the legislative branch of power's authority has strengthened in general. We must support and confirm this with concrete action. This concerns all political forces represented in the parliament.

United Russia, of course, bears particular responsibility here. Incidentally, the party is celebrating its 15th anniversary at this time. United Russia has a constitutional majority in the State Duma and is the Government's main support in the parliament. We must organise work together in such a way as to ensure that all promises and commitments made to our people are honoured.

Our people decided the election campaign's result and chose the road of constructive development. They proved that we live in a healthy society that is confident in its fair and just demands, has ever stronger immunity against populism and demagoguery, and values highly the importance of solidarity, closeness and unity.

I am not talking, of course, about any kind of dogmas or a false unity put on for show, and I am certainly not talking about imposing a particular world view. We have already gone through all of this in our history, as you know, and we have no intention of returning to the past.

But this does not mean that we can juggle eloquent words and use talk of freedom as a cover for insulting others' feelings and national traditions.

Someone might consider themselves more progressive, intelligent and cleverer than someone else, but if this is the case, be respectful towards others, and this would be the natural thing to do.

At the same time, I think it is unacceptable to take an aggressive attitude in return, all the more so if it degenerates into vandalism and breaking the law. The state authorities will respond with firmness to such cases.

Tomorrow, the Council for Culture will meet, and we will certainly discuss these issues that provoke broad discussion, and will talk about the principles of mutual responsibility of civil society representatives and arts world figures.

But let me emphasise that whether in culture, politics, the mass media, public life, or in debates on economic issues, no one can ban freedom of thought and the freedom to openly express one's position.

Let me say again that when we speak of solidarity and unity, what we mean is conscious and natural consolidation of our people in the interests of Russia's successful development.

Is it possible to achieve major strategic goals in a fragmented society? Is it possible to resolve our tasks with a parliament that instead of productive work spends its time on competing ambitions and fruitless argument?

Can we develop successfully on the shaky foundation of a weak state and apathetic government controlled from abroad and that no longer has the people's trust? The answer is clearly no.

In recent years, we have seen a number of countries where this kind of situation has opened the road to adventurists, coups, and ultimately, anarchy. Everywhere, the result is the same: human tragedies and victims, degradation and ruin, and disappointment.

It is worrying to see that around the world, even in the seemingly most prosperous countries and stable regions, we witness the emergence of an ever greater number of new divisions and conflicts on political, ethnic, religious and social lines.

This is all unfolding against the background of the very serious migration crisis that countries in Europe and elsewhere face today. We know well the consequences that these great upheavals can bring. Unfortunately, our country went through many such upheavals and their consequences in the 20th century.

Next year, 2017, will mark the 100th anniversary of the February and October revolutions. This is a good moment for looking back on the causes and nature of these revolutions in Russia. Not just historians and scholars should do this; Russian society in general needs an objective, honest and deep-reaching analysis of these events.

This is our common history and we need to treat it with respect. This is something that the outstanding Russian and Soviet philosopher Alexei Losev wrote about. "We know the thorny road our country has travelled," he wrote. "We know the long and tiring years of struggle, want and suffering, but for our homeland's sons, this is all their native, inalienable heritage."

I am sure that the vast majority of our people have precisely this attitude towards their homeland, and we need history's lessons primarily for reconciliation and for strengthening the social, political and civil concord that we have managed to achieve.

It is unacceptable to drag the grudges, anger and bitterness of the past into our life today, and in pursuit of one's own political and other interests to speculate on tragedies that concerned practically every family in Russia, no matter what side of the barricades our forebears were on. Let's remember that we are a single people, a united people, and we have only one Russia.

Colleagues, the basis of our entire policy is to take care of people and increase human capital as Russia's most important resource. Therefore, our efforts are aimed at supporting the traditional values and the family, at [implementing] demographic programmes, improving the environment and people's health, and promoting education and culture.

You know, I cannot but say a few words about what is happening in reality, about what we have here and what we have achieved. The natural population growth continues.

In 2013 – the demographers have the term fertility rate – it was 1.7 in Russia, which is higher than in the majority of European countries. For example, it is 1.2 in Portugal, 1.3 in Spain and Greece, 1.4 in Austria, Germany and Italy, and 1.5 in the Czech Republic. These are 2013 figures. In 2015, the total fertility rate will be even higher in Russia – 1.78 – the rise is slight but it is still a rise.

We will continue to introduce changes in the social sphere so that the system meets more of people's expectations and needs, and becomes more modern and just. The social spheres should attract skilled professionals and talented young people. That is why, we are raising specialists' salaries and improving their working conditions.

Let me note that competition to enrol in medical and teacher training universities grows steadily (whereas not so long ago it was hovering around zero). In 2016, it was 7.8 persons for the teaching professions, and after the 2016 enrolment the general competition for state-financed openings was almost 28 applications per opening. God grant all of them – the young specialists – good health and success in their future pursuits.

I remember well how my colleagues and I discussed hi-tech medical aid projects and networks of perinatal centres, which we lacked at that time. In 2018, Russia will have 94 such centres.

Today our doctors save newborns in the most complicated cases. We have reached the level of the advanced countries in these indicators as well.

Back in 2015, Russia's infant mortality indicators were 6.5 per 1,000 live births, whereas the European Region of the World Health Organisation had 6.6; this means that our [indicator] was slightly better. After 10 months in 2016, Russia reached the level of 5.9.

Over the past decade, the number of high-tech medical services has increased by a factor of 15. Hundreds of thousands of complex operations are performed not only at the leading federal centres but also at regional hospitals. While in 2005, when we launched the programme, 60,000 people in Russia received high-tech medical assistance, in 2016 the number will be 900,000. It is also essential to move forward. Still, compare: 60,000 and 900,000. Some difference.

Next year we will need to introduce mechanisms to ensure stable financing of high-tech assistance. This will make it possible to make it even more accessible and reduce waiting time for operations.

On the whole – to put it bluntly – problems in the healthcare sector remain and there are still plenty of them. They are related mostly to the primary care level. Its development should be given priority.

Patients are often confronted with waiting lines, a perfunctory attitude and indifference. Doctors are overworked and it is difficult to get an appointment with the required specialist. What often happens is that outpatient clinics are provided with the most modern equipment but medical specialists simply lack qualifications to use that equipment.

Starting next year, regular retraining programmes will be organised at federal and regional medical centres and universities. A specialist will now obtain an advanced training voucher and will be able to choose where to undergo training.

We will also continue to enhance the IT level of the public healthcare system to facilitate the procedure of scheduling doctor's appointments and keeping records. It is important to free doctors from routine tasks, from the need to fill in bundles of reports and statements and give them more time for attending to patients.

Information technology will also be used to significantly tighten oversight over the market of vital medications. This will make it possible to get rid of counterfeit and illegal products and deal with inflated prices in the procurement of medications for hospitals and outpatient clinics.

I propose connecting all of our country's hospitals and outpatient clinics to high-speed Internet over the next two years. This will enable doctors even in a remote town or village to use the advantages of telemedicine and quickly receive consultations from their colleagues at regional or federal clinics.

I would like to bring this to the attention of the Communications and Mass Media Ministry. The Minister has assured me that this task is absolutely realistic and feasible.

I just mentioned this in my Address, and the whole country will now follow the issue carefully.

Considering Russia's geography, its vast expanses and certain poorly accessible areas, Russia needs a well-equipped air ambulance service. Next year, the air ambulance programme will cover 34 of the country's regions, which will receive funding from the federal budget.

First of all, I am referring to Siberia, the North and the Far East. For this purpose (the parliament members should know this, as it was partly their initiative), in 2017, we will allocate 3.3 billion rubles to pay for aviation services as part of the air ambulance development project (the proposal should be adopted in the second reading).

Colleagues, in every corner of our great country, children have to be able to study in a pleasant, user-friendly, modern environment, so we will continue the programme for the reconstruction and renovation of schools. There will be no more rundown and dilapidated school buildings with no basic amenities.

It is necessary to finally resolve the problem of the third shift, and hopefully eliminate second shifts as well. We should certainly make extra effort to improve the qualifications of teachers. As you know, a programme is being implemented to expand the number of students served by

educational institutions in 2016. This programme is planned for 2016–2025, with 25 billion roubles envisaged annually.

Incidentally, we all know that it is primarily the regions' responsibility. However, we decided to support the regions in this important initiative. Overall, from 2016 to 2019, we plan to create 187,998 new openings for students in schools.

At the same time, the greatest concern for parents and teachers, and the general public as well is the content of the educational process and how well school education meets two basic goals that Academician Dmitry Likhachev listed: to give knowledge and to foster morality. He rightly believed that morality is the basis that determines the viability of society: its economic, public, and creative sustainability.

It is certainly important to preserve the depth and solidity of national education. Compositions have been returned to the school curriculum, and more attention is being paid to the humanities.

Yet, the hours of tuition according to the school curriculum will clearly not be enough here. We need projects in the theatre, cinema, television and museums, and on the Internet, that are of interest to young people, that attract the attention of young people to the national classical literature, culture and history.

Our schools must promote creativity. The children must learn to think independently, work both on their own and as part of a team, address unusual tasks and formulate and achieve goals, which will help them have an interesting and prosperous life.

Great many experiments have been held in Russian schools and abroad. We should consider experiments carefully, but we certainly must move forward. We must promote the culture of research and engineering work.

The number of cutting edge science parks for children will increase to 40 within two years. They will serve as the basis for the development of a network of technical project groups across the country. Companies, universities and research institutes should contribute to this, so that our children will see clearly that all of them have equal opportunities and an equal start in life, that Russia needs their ideas and knowledge and that they can prove their mettle in Russian companies and laboratories.

We can see the success of the Sirius educational centre for gifted children. I believe that we need a network of such centres, and I propose that the regional authorities consider creating centres for gifted children at their best universities and schools.

At the same time, there are several things I would like to stress. Our education system must be based on the principle that all children and teenagers are gifted and can succeed in science, in creative areas and sport, in careers and in life. Our task is to help them develop their talents. When they are successful, Russia is successful too.

Colleagues, I view the young generation as Russia's reliable foundation in a turbulent and complicated 21st century. I believe that they are able not just to rise to challenges but also to make their contribution to the development of the intellectual, technological and cultural agenda of global development.

It is not surprising that so many students at schools and universities take part in volunteer projects in such vital areas as patient care, assistance to the seniors and people with disabilities, education, sport, culture, local history, search parties, and the protection of nature and animals.

It is a trait of our times that large numbers of people are now ready to contribute to all kinds of charity initiatives, such as petitions on social media and in the media to collect funds for treating the ill or helping children. Many people are quick to respond to such calls and do so sincerely without seeking to gain any profit.

Sometimes it is even surprising to see that people who do not make that much money have the urge to help those in need.

I ask the Civic Chamber and the Agency for Strategic Initiatives to become proactive in supporting volunteer organisations, charities and non-profits. Through their commitment and generosity, people who contribute to such projects promote collective efforts that Russia needs so much right now. They create significant social potential that must be used effectively.

It is necessary to remove all barriers that undermine the development of the volunteer movement, and also provide every assistance non-profit organisations might need. The key decisions in this respect have already been taken. Starting next year, non-profits with the required experience will be authorised to provide social services funded from the budget.

Colleagues, I would now like to call on many of you, and I want to be sure that governors and municipal authorities hear what I say. I ask you not to be, as they say, greedy, to refrain from working only with state-run institutions, and enable non-profit organisations to provide social services as much as possible. It is very important to establish cordial relations with people. I propose that we all keep an eye on these issues.

What we all want is to improve the quality of social services by engaging non-profits in this sphere. I instruct the Government and the Parliament to finalise efforts to devise a clear legal framework for non-profit organisations as providers of socially important services and establish requirements in terms of their competence, without creating additional red tape, of course. We must value the people's demanding, engaged and proactive attitude in this respect.

I would like to once again address many of you with the appeal to not hide in your offices and not fear dialogue with the people, but go to meet them, speak with them honestly and openly, and support their initiatives. This is particularly important on urban development issues and matters concerning preserving the historical appearance and creating a modern living environment.

Unfortunately, such issues are sometimes decided in the corridors, and when this happens, it is hard not to ask, “Are you sure that what you are proposing, based only on the opinions heard in officials’ offices, is the best proposal? Is it not better to consult with the people and ask them what they want to see in their streets, yards, parks and embankments, sports fields and children’s playgrounds?”

Next year, we will send 20 billion rubles for urban development programmes to the regions, including in the single industry towns. It is a matter of principle that residents should take part in deciding how this money should be spent and which projects should take priority. I ask the Russian Popular Front to take an active part in this work too. We need to organise effective oversight of this work so as to ensure the concrete results that people want to see, and we must support people who wish to join in these urban development projects.

It is important that civil society takes an active part in deciding issues such as improving environmental protection legislation, protecting rare plant and animal species, and establishing a humane system for dealing with stray animals.

We have declared next year, 2017, the Year of the Environment. I am instructing the Government to draft programmes for protecting such unique symbols of Russia’s nature as the Volga, Lake Baikal, and Lake Teletskoye in Altai.

Throughout the country, we need to clean up polluted areas and clear the dumps that have grown up on the outskirts of many towns, as we heard recently from Russian Popular Front activists. This problem exists not just in big towns but also in small settlements.

Moscow and St Petersburg are already carrying out large-scale road modernisation programmes. Starting next year, we will begin similar projects in other big cities too, in urban areas that are home to around 40 million people. Over the next two years, at least half of the roads should be modernised. I will not go further into the details now. The decision has been taken and the needed funds earmarked. Now, we just need to work effectively.

We will also pay the needed attention to important federal roads and to building the bridge to Crimea, which is an infrastructure project of national importance. This bridge’s construction is going to schedule.

Colleagues, two years ago, we encountered serious economic challenges and a difficult situation on global markets. We found ourselves facing sanctions that were an attempt to get us to dance to another’s tune and ignore our own fundamental national interests.

But let me say again that the main reasons for our economic slowdown are to be found above all in our internal problems, and above all in the lack of investment resources, modern technology, professional human resources, insufficient competition, and shortcomings in our business climate. The real sector of the economy has stopped falling now and we have seen a small increase in industrial production. Last year, our GDP fell by around 3.7 percent, but I

think that this year, the figure will be small. Over the first 10 months of 2016, it came to 0.3 percent, and I think the final figure will be close to this.

The support programmes for a number of industrial sectors, including the housing market, have played a big part. I will say more about this now. We see the increase in industrial production, and it is small, but the trend is a positive one and we should certainly work now to keep it going.

Concerning the housing market, more than 85 million square metres of housing came onto the market in 2015. This was a historic record for our country.

This housing must be sold now, and of course, we need to increase people's purchasing power. I will say more about this too, in relation to our mortgage support programmes.

We shall continue to provide targeted assistance to economic sectors still facing a negative situation. I already mentioned that modest growth in industrial production is underway now.

We have seen a slight overall decline in the automotive industry, although trucks have shown an increase of 14.7 percent, light commercial vehicles, up 2.9 percent, and buses, up 35.1 percent. In railway engineering, there is a 21.8 percent growth, and freight cars are up 26 percent. Agricultural machinery and equipment have shown very good momentum, 26.8 percent. The light industry is also demonstrating an upward trend.

We have ensured macroeconomic stability, which is very important, and have maintained financial reserves. The Central Bank gold and currency reserves have not decreased, but have even grown. Whereas on January 1, 2016 they totalled \$368.39 billion, now they stand at \$389.4, almost 400 billion. Here, too, we can see positive dynamics.

We expect a significant decrease in inflation by the end of this year, to below 6 percent. Here, too, I would like to cite a few figures. If you remember, the inflation rate in 2015 was 12.9 percent. I hope that it will not rise above 6 percent this year, will stop around 5.8 percent. Obviously good, positive dynamics.

Allow me to remind you that the lowest inflation rate was recorded in 2011, 6.1 percent. I will repeat, this year it might be even lower. This means that next year, we could really achieve the target of 4 percent. This is a very good prerequisite for achieving substantial growth relying on a healthy economy.

However, I would like to emphasise that stabilisation does not mean an automatic transition to a sustainable recovery. If we do not address the underlying problems of the Russian economy, if we do not launch new growth factors at their full force, it will stagnate for years, and we will have to constantly scrimp and save, to delay development. We cannot afford that.

We will follow another path, which requires a clear statement of objectives and phased, system-based work towards achieving these objectives. This approach has yielded significant positive results more than once, and in a fairly short period of time. There was a time when we thought our agriculture issues would exist forever. We know what was said about this and

how it offended our farmers when we spoke about agriculture as a kind of black hole that can swallow any amount of money and still produce no results. No, it turned out, even that sector could be rearranged. We found weighted solutions, adopted a state programme, created a flexible system of support for agricultural producers and agribusinesses, and today farming is a successful industry that feeds the country and is gaining international markets.

But as the proverb goes, every cloud has a silver lining. Our partners imposed the sanctions I mentioned, and we took measures in response and at the same time ended up helping our agricultural producers on the domestic market. They should remember though that this cannot and probably will not continue forever, and in any case, consumers need a competitive market environment. Our producers should therefore make the most of the current favourable situation.

Agricultural produce exports bring in more revenue today than arms exports. Only recently, we would probably have scarcely imagined such a thing possible. I have already spoken publicly about this and can say it again here today. Incidentally, as far as our arms exports go, we are still a serious contender on this market. Our exports came to \$14.5 billion in 2015, and our agricultural produce exports came to \$16.2 billion. This year, we expect a figure of \$16.9 billion, which is very good. Let's thank our agriculture sector workers for this result.

Much depends on the regions when it comes to developing the agriculture sector. I think we should give them greater independence in setting the priorities for using federal subsidies for the agriculture sector. The volume of subsidies should be pegged to increases in cultivated land, yields, and other quantitative indicators of effective production. This would encourage producers to bring idle agricultural land under cultivation and start using advanced agricultural technology.

Here, I want to stress that if we give the regions more independence in using federal budget money and federal support, this places greater responsibility on them for producing results, effectively investing the resources received, strengthening their own economic base, resolving social problems and problems in the housing and utilities sector.

In order to give our farmers greater opportunities for finding markets, we need to pay greater attention to supporting agricultural cooperatives. I ask the Agricultural Ministry, Rosselkhozbank and Rosagroleasing to work on this matter, as well as the Corporation for Small and Medium Business Development that will receive a capital injection of 13 billion rubles next year.

We have carried out far-reaching modernisation at our defence industry enterprises. This has resulted in increased production and, particularly important, in a significant increase in labour productivity. The defence industry has posted very good results and gives a good example. In 2016, we expect growth in the defence industry to reach 10.1 percent, and a labour productivity increase of 9.8 percent.

We must direct the defence industry to produce up-to-date competitive civilian products for healthcare, energy, aviation and shipbuilding, space exploration and other high-tech industries. The share of civilian products must increase to at least one-third of the defence industry's total output within the next 10 years.

We have recently held a meeting on this issue, or rather several meetings, and I want to share our plans with you. In 2016, civilian goods will reach 16.1 percent of the defence industry's output, and we plan to slightly increase this percentage by 2020. The increase will be relatively small because the Defence Ministry has placed many rearmament contracts with the industry. The share of civilian goods will reach 30 percent in 2025 and at least 50 percent in 2030.

I instruct the Government to organise systemic work to achieve these goals with support from our development institutions, including Vnesheconombank (VEB), the Russian Export Centre and the Industry Development Fund.

The IT industry is one of the most rapidly developing sectors, which is heartening. Russian IT companies have doubled their exports over the past five years. I have just cited the figures for the defence industry and agriculture: the figure for the defence industry is \$14.5 billion. Our IT exports were almost zero only recently, but they have risen to \$7 billion now.

The IT industry has also improved other performance indicators, such as revenue and tax payments, in part due to reduced insurance payment. The Finance Ministry has not recommended me to say that all these achievements were due to incentives, and so I am telling you that we also used other support instruments, although it should be admitted that incentives are very important for supporting our IT companies. This instrument has allowed them to effectively use their innovative intellectual potential. At the beginning of their development in 2010, the IT companies' tax payments amounted to slightly over 28 billion rubles, while two years later the figure reached 54 billion rubles. You can judge the growth for yourself. Considering the incentives, the national shortfall in revenue was only 16 billion rubles. In other words, even the federal budget benefited from the IT companies' growth. To maintain this positive trend, I propose that we extend these incentives to 2023. I am confident that the IT industry can become one of our key export sectors within 10 years.

On the whole, we have good potential for increasing non-commodity exports. At the same time we see protectionism growing in the world and, unfortunately, trade barriers being raised. I can tell you that I recently had a meeting with my colleagues in Lima, Peru and we discussed world trade issues. One of the main problems is growing protectionism. But what does this mean for us? It means that we should fight for access to external markets more actively and decisively. Intense international competition will temper and strengthen our economy and ensure Russian companies reach a new level of efficiency, the quality of goods and services and labour productivity.

The examples I cited earlier show that we are already changing the economic structure in a focused way, modernising corresponding sectors and creating new ones, and establishing modern companies that can work on international markets. It is essential to continue moving

in this direction systematically and assertively. What is needed are not abstract scenarios, which are mostly irrelevant, but a professional, thoroughly calculated development forecast. It is important to define clearly how a better business climate, major investment projects, an expansion of non-commodity exports, and support for small and medium-sized businesses will contribute to economic growth and what the role of regions and particular production sectors will be.

I direct the Government, together with the leading business associations, no later than May 2017, to develop a detailed plan of action through 2025, the implementation of which will make it possible to achieve economic growth rates higher than in the [rest of the] world as early as 2019–2020, and therefore strengthen Russia's positions in the global economy.

Ladies and gentlemen, to reiterate, it is important that this plan be supported and trusted by the business community so that entrepreneurs become actively involved in its implementation. Today, there is obviously a growing demand in society for an expansion of economic freedoms (we have talked about that more than once), stable, steady and predictable rules of doing business, including the tax system.

It may be recalled that in 2014 we took the decision not to change the existing tax requirements for business over the next four years. We did not review them despite the changes in the economic situation and that, without a doubt, has had a positive impact on companies' performance.

At the same time, we should steer our tax system to work toward the main objective: to stimulate business activity, ensure economic growth and investment, and create a competitive environment for the development of our companies. It is necessary to streamline the existing fiscal benefits, making them more targeted, and abandon ineffective instruments.

I suggest that within the next year we carry out a detailed and comprehensive review of proposals to fine-tune the taxation system, and we should by all means involve business associations in this effort. Despite the domestic political timetable, we still need to draft and adopt in 2018 all relevant amendments to laws and the Tax Code so that they can come into force on January 1, 2019, setting new, stable long-term rules.

At the same time, I am asking the Government to explore ways to improve mechanisms that guarantee stability of the budget and public finances, while delivering on all our commitments regardless of external factors, including the price of oil and gas.

Moving on, we have overhauled the legal framework that regulates business activity. At the current stage, it is important to ensure that the adopted provisions are enforced, especially in the regions. Let me draw your attention to the fact that in every region of the country the basic services provided to businesses, such as construction permits, infrastructure access and so on and so forth, should be consistent with the requirements as per the federal laws and the best regional practices.

Colleagues, we discussed this issue during a recent meeting held, I believe, in Yaroslavl. This issue cannot be treated superficially. This is an extremely important area for our joint work.

We will monitor developments in the regions very closely and evaluate the performance of regional authorities using these indicators. This is a major task that has to be achieved as early as next year. By doing so, we will make sure that all Russian regions operate within a single business environment and all provide quality services to the business community.

For many years now, we have been discussing the issue of streamlining the activities of supervision and regulatory bodies. Beginning next year, they will become much more transparent by releasing to the public data on who inspects whom, how frequently, and what are the results achieved.

This will provide an opportunity to promptly respond to abuses and every violation of entrepreneurs' rights by an inspector. I will not go through the list of all the decisions that were adopted to this effect. There are quite a few of them, so all we need is to make sure that they are implemented. We must do away with instructions that have nothing to do with the quality of services or security, while creating unsurmountable barriers for businesses.

Let me draw to the Government's attention that the regulatory and supervisory bodies should speed up their work to introduce a risk evaluation-based approach that makes it possible to reduce substantially the number of inspections while making them more effective. I add that the inspection bodies should concern themselves not just with identifying violations, but also with prevention, and not just through formal measures, but in substance and, particularly important, provide consultative assistance to entrepreneurs, especially to those who are just starting their business.

I have already given the direct instruction to make sure that self-employed people's work is not considered unlawful business activity. We should not start creating problems for these people for invented pretexts. In order to exclude the possibility of this kind of situation arising, I ask you within the coming year to formulate a clear legal status for self-employed people and give them the chance to work in calm and regular fashion.

Every person engaged in honest business, whether self-employed or as hired labour, should know that the state authorities and society are on their side. Justice is not about putting everyone in exactly the same conditions. It means giving people greater freedom, creating conditions for pursuing activity that brings respect, prosperity and success. Everything that limits these opportunities and violates people's rights is unjust.

In last year's Address, I spoke about pressure on business from some people in the law enforcement agencies. This sort of action often leads to successful businesses collapsing and people having their assets taken from them.

I want to thank the deputies for supporting the draft law that considerably toughens criminal penalties against law enforcement personnel for fabricating cases, including with the aim of hindering the work of businesspeople.

I want to say a few words about the fight against corruption. Over recent years, we have seen a fair number of headline-making cases against officials at the local, regional and federal levels. I stress that the vast majority of civil servants are honest and decent people who work

for the good of our country. But neither one's office, nor connections in high places or past services can serve as a shield for corrupt officials. At the same time, and I want to stress this point, no one has the right to pronounce a person's guilt or innocence before the court has delivered its verdict.

Unfortunately, it has become common practice here to raise a fuss in the media over these headline-grabbing cases. We see that people from the law enforcement agencies are often also guilty of this. I want to stress the point that the fight against corruption is not a show. It requires professionalism, and a serious and responsible approach. Only then will it produce results and receive society's broad support.

Colleagues, it is obvious that the external constraints and domestic borrowing rate increase have reduced the availability of financial resources for businesses and individuals. Nevertheless, the banking system has been able to replace foreign loans to our companies and stabilise the situation, and this is an obvious fact.

Now we need to reinforce business activity, the implementation of major economic projects, the available funding, especially since inflation is going down as I already said – this creates objective conditions for making bank loans cheaper. I repeat, the situation has improved slightly, but only for individual sectors. Overall, lending to the economy is still showing unstable dynamics.

We injected 827 billion rubles into the banking system as part of the 2015–2016 anti-crisis support programme. According to estimates, this resource allowed banks to significantly increase lending to the non-financial sectors.

However, the volume of these loans has not grown this year, but even went down slightly. I know about the calculations in rubles and in foreign currency, but the decline is still there, even taking into account the exchange rate difference. I would like those experts who believe the exchange rate differences are important to take note of this.

Indeed, it is clear that the ruble rate has changed against the dollar and the euro, and this must be taken into account, but even with this in mind, all the same, the decline in lending is evident.

There is certainly no doubt that we need to stimulate lending to the real sector. But the key question remains, what methods and means should we use to do so? Obviously, only stable banks with a solid capital reserve are in a position to develop lending.

This year, Russian banks have regained their profitability. The sector's profit for the 10 months of last year was 193 billion rubles, and rose almost four-fold, to 714 billion rubles for the same period this year.

Furthermore, thanks to the Central Bank's consistent and decisive efforts, the banking system is being cleared of outfits that break the law, violate clients' rights, and carry out dubious financial operations. Many of them, at least the weak players, have left the market. The Central Bank has made an effort to clean up the banking system and continues this work now.

This forms a good foundation for rapid pick-up in the economy and for developing lending to the real sector.

A number of countries have offered banks incentives to stimulate lending to the real sector of the economy. Some countries are also discussing the possibility of setting limits on how much borrowed funds banks can place in financial instruments.

I am not saying that we should copy blindly everything that is done abroad, all the more so as the Russian economy and its structure differ considerably from other countries that are taking these measures, but we can and should analyse these practices and borrow what would be suitable here.

In many countries, a non-banking financial sector works with success. We should develop this sector here too, as this would enable us to bring more money from investors and citizens into the economy through bonds and other mechanisms.

This is something we have been discussing for quite some time now. I hope that the Central Bank and the Government will draft proposals on developing the financial market. Of course, this work should focus on our economic growth tasks and any changes made should not lead to the emergence of macroeconomic imbalances or to bubbles in the economy.

It is very important to support lending for small businesses. This lending continues to fall for now. What additional steps should we take to change this? The financial authorities think that this situation can be remedied.

Big banks, for reasons of the scale and complexity of their operations, apply strict requirements in accordance with international standards (some experts think that these standards are overly strict for our situation, but let's not go into the details of this debate now), but small regional banks that carry out the vital function of lending to small businesses and the general public usually have simpler banking operations and so could work according to simplified regulations and requirements. These banks account for only 1.5 percent of total banking assets, and so this would not create any risks for the banking system as a whole. This kind of differentiated banking system regulation would enable clients to go to the bank that best suits their needs, and small businesses would not have to compete with big companies for credit resources.

Of course, our fundamental requirement has not changed: each level of the banking system must be healthy and stable, so that the clients and investors will be confident of the safety of their funds.

Colleagues, to move up to a higher development level in the economy and social sector we need our own advanced research and scientific solutions. We must focus on the sectors where a powerful technological potential is accumulating for the future, that is, digital and other cross-cutting technologies that now determine all spheres of life. The countries that generate such technologies will get a lasting advantage and an opportunity to generate huge technological revenues. Those who fail to do this will be placed in a dependent and

disadvantaged position. Cross-cutting technologies are technologies that can be applied in all sectors, such as digital, quantum, robotic, neural and other technologies.

However, we should be wary of the inherent risks of the digital technology. We must strengthen our protection against cyber threats and greatly enhance the stability of all infrastructure elements, the financial system and state governance.

I propose launching a large-scale system-wide programme to develop an economy of a new technological generation, the so-called digital economy. We will rely on Russian companies and Russian scientific, research and engineering centres to implement this programme.

Russia's national and technological independence, in fact, our future depend on this. We need to conduct an inventory to remove managerial, legal and any other barriers that hinder the advance of our business to existing and emerging high-tech markets. We must allocate sufficient financial resources for these projects, including by setting this task to the refurbished VEB (Bank for Development).

We will need skilled personnel, engineers and workers, who will be ready to fulfil next-generation tasks. This is why we are cooperating with businesses to create an up-to-date system of secondary vocational education and college and vocational school teacher training based on advanced international standards.

We will increase the percentage of state-financed students at engineering, IT and other key departments on which our economic development depends. Next year, our leading universities, including in the regions, will establish competence centres, which will provide intellectual and personnel support to projects that are connected with the emergence of new sectors and markets.

Fundamental research is a powerful factor in accumulating scientific and technological expertise required for economic growth and social development. It faces a dual task: to assess and predict future trends and offer the best solutions to the emerging challenges.

In science, just as in every other sector, we will promote competition and support the strongest, those who are able to produce practical results. The Russian Academy of Sciences and all research organisations should take this into account. We will continue building the research infrastructure that will allow us to perform large-scale scientific tasks.

Over 200 laboratories have already been established under the mega grants programme. It would be no exaggeration to say that they are operating on a global level. They are led by scientists who determine the trends of global scientific development (incidentally, many of them are our compatriots who went abroad in the past).

Recently I met with a group of such researchers. Now many of them are spending most of their time in Russian laboratories. They are successful and enjoy their work. They can see for themselves that Russia is setting interesting scientific tasks, and creating a sound research base and decent working conditions.

But, of course, people have the right to understand that there is a horizon of work and planning and in this context I would ask you to ensure long-term funding for productive research projects, in particular, using the resources of the Russian Science Foundation.

It is very important to support Russia's talented young scientists and there are many of them. They should have an opportunity to establish their research teams and laboratories. A special category of seven-year grants will be launched for this purpose. Another 3.5 billion roubles will be allocated for these purposes, as well as the development of the research infrastructure and the opening of new laboratories in 2017 alone, in addition to the already announced budget for science.

Needless to say, the activities of research centres should be closely integrated with the education system, the economy and high-tech companies. We must turn our research projects into successful commercial products. This has always been a weak spot for us. A lot of time passes from developments to their introduction and sometimes even... This applies not only to our time, and not even to the Soviet time. Things were the same in the Russian Empire. We must overcome this trend and we can do this. To resolve this issue, we launched the National Technology Initiative two years ago. It is called upon to ensure the leading positions for Russian companies and products in the most promising markets of the future.

Colleagues, all of what I said now, all of these priorities are set out in the National Science and Technology Development Strategy. I have signed the executive order approving it.

You all know that we have encountered attempts to pressure us from abroad over these last years. I mentioned this twice. They have used every means: from spreading myths about Russian aggression, propaganda and meddling in others' elections to persecuting our athletes, including our Paralympic athletes.

But, as I said, every cloud has a silver lining, and the doping scandal, I am sure, will help us to put in place the most advanced system here in Russia for fighting this scourge. I say this based on the fact that our national doping prevention programme will be ready at the start of next year.

What I want to say is that everyone has more than had their fill now of media campaigns carried out to order, the fabrication and publication of compromising material, and moralising lectures. If need be, we can lecture whoever, but we understand our responsibility and we have a sincere desire to take part in resolving global and regional problems, in situations, of course, where our involvement is fitting, wanted and needed.

We do not want confrontation with anyone. We have no need for it and neither do our partners or the global community. Unlike some of our colleagues abroad, who consider Russia an adversary, we do not seek and never have sought enemies. We need friends. But we will not allow our interests to be infringed upon or ignored. We want to and will decide our destiny ourselves and build our present and future without others' unasked for advice and prompting.

At the same time, we desire well-intentioned and equal dialogue and we affirm the principles of justice and mutual respect in international affairs. We are ready for a serious discussion on building a stable system of international relations for the 21st century. Sadly, the decades that have passed since the end of the Cold War have been wasted.

We support security and development opportunities not just for the select few, but for all countries and peoples, and we support respect for international law and global diversity. We oppose any monopoly, whether it be a claim to exceptionality or attempts to bend the international trade rules to suit one's own needs, limit freedom of speech and, in fact, introduce censorship to the global information space. We were always reproached for supposedly imposing censorship here in Russia, but now we see that others are taking this road themselves.

Russia is proactive in promoting a positive agenda in international organisations and informal associations, including the UN, the Group of Twenty and APEC. Together with our partners we also promote our own frameworks, such as the CSTO, BRICS and the SCO. Further strengthening cooperation within the Eurasian Economic Union and with other CIS countries has always been a foreign policy priority for Russia.

Russia attaches great importance to the idea of building a multi-level integration model for Eurasia in the form of a Greater Eurasian Partnership. We are already discussing this idea on various international and regional levels. I am confident that we can have conversation with the European Union countries, where the demand for political and economic independence is currently on the rise. This is what we see judging by election results.

There is great potential for Russia in terms of cooperation with the Asia-Pacific region, as we saw at this year's Eastern Economic Forum. I ask the Government to make sure that all decisions regarding the development of the Russian Far East are implemented without exception. Let me reiterate that Russia is proactive in its Eastern policy not because of any momentary considerations we may have, not because of the cooling in relations with the United States or the European Union, but for the reason that it serves Russia's long-term interests and is consistent with the global development trends.

In today's challenging environment, the comprehensive partnership and strategic cooperation between Russia and China have become one of the key factors in ensuring global and regional stability. This partnership can be regarded as a model for shaping a world order free from the domination of a single country, no matter how strong it is, and taking into account the interests of all countries in harmony.

Today, China is about to become the world's largest economy, so it is very important that every year adds new large-scale projects in various areas, including trade, investment, energy and high technology, to our mutually beneficial cooperation.

Developing a special privileged strategic partnership with India is another major foreign policy priority for Russia. In October 2016, Goa hosted Russian-Indian top-level talks,

confirming that our countries have great potential for strengthening cooperation in a number of areas.

Russia also expects to achieve substantial progress in relations with Japan, our eastern neighbour. We welcome the commitment of the country's leaders to promote economic ties with Russia by launching joint projects and programmes.

Russia is also ready to work with the new US Administration. It is important to put bilateral relations back on track and to develop them on an equal and mutually beneficial basis.

Cooperation between Russia and the United States in addressing global and regional issues will benefit the whole world. We have a shared responsibility to ensure international security and stability, to strengthen non-proliferation regimes.

I would like to emphasise that attempts to break the strategic parity are extremely dangerous and can lead to a global catastrophe. We must not forget about it even for a second.

I certainly count on joining efforts with the United States in the fight against real rather than fictional threats, international terrorism being one of them. That is the task our servicemen are fulfilling in Syria. Terrorists have suffered significant losses. The Russian Army and Navy have shown convincingly that they are capable of operating effectively away from their permanent deployment sites.

By the way, we also appreciate the work that special services and divisions are carrying out inside the country to combat terrorism. We have suffered casualties, too. All of that is certainly in the focus of our attention. We will continue this work. I want to thank all of our military for their professionalism and dignity, their courage and bravery, for the fact that you, Russian soldiers, cherish your own and your country's honour.

Colleagues,

When people feel they are doing the right thing, they act in close solidarity, and advance with confidence along the chosen path. In recent years, we have had a hard time, but these trials have made us even stronger, truly stronger, helped us better and more clearly define those areas in which our efforts must be even more persistent and vigorous.

While overcoming the current difficulties, we have created a foundation for further movement forward. We never stopped working on the development agenda, which is extremely important. That is, we did not get bogged down in some trivia of the day, like dealing with survival issues, but we thought about the development agenda and contributed to it. This agenda is coming to the forefront today.

The country's future depends on us, on all our citizens' work and talent, on their responsibility and success. We will certainly achieve our goals, resolve the challenges of today and tomorrow.

Thank you very much.