

Dear Ladies and Gentlemen,

On September 16th, 2016 the Government of the Russian Federation issued the Resolution No 925 "**On the priority of goods of Russian origin, works and services performed and rendered by Russian entities over the goods originating from a foreign country, works and services performed or rendered by foreign entities**" (hereinafter referred to as the "**Resolution**").

1 Whom does it concern?

The Resolution has amended the rules of suppliers' selection in the public tenders held by state enterprises (such as legal entities with over 50% of state-owned shares and their subsidiaries). The new regulation applies to companies of all businesses and industries which deliver goods, works or services to state enterprises.

2 Priority of Russian-originated goods

For the purposes of a public tender or an auction (where the winner is determined by lowering initial (maximum) contract price) the Resolution establishes priority of those suppliers, who offer goods of Russian origin over the ones, who offer foreign-originated goods.

The said priority means as follows:

- In tenders the price offered by a Russian participant shall be nominally lowered by 15% for evaluation and comparing with tender participation applications of foreign participants. Whilst the agreement to be concluded as result of the tender will be entered into at the price as its was in fact offered by the tender participant;
- In auctions the price offered by a foreign participant shall be in fact lowered by 15%. If the contract price is lowered to nil and the auction is therefore held for the right to conclude the contract, it should be concluded with a foreign participant at the price offered increased by 15%.

3 Conditions for granting the priority

For the purposes of public procurement, the participants shall submit as part of the tender application inter alia the following information:

- the country of goods origin (if such information is provided by the participant, the application is considered as one containing an offer for foreign goods supply);

- the place of registration of the participant.

4 Exclusions

The Resolution contains conditions under which the priority shall not be provided – namely, in cases where:

- the procurement fails and the contract is concluded with the sole participant;
- in tenders where participation application contains an offer for the goods of Russian and foreign origin supply, and the price of Russian-originated goods amounts to less than 50% of the total price for all the goods, works, services offered by such participant;
- in auctions where participation application contains an offer for the Russian- and foreign-originated goods supply, and the price of Russian-originated goods amounts to over 50% of the total price for all the goods, works, services offered by such participant.

The Resolution comes into force on the 1st of January 2017 and is not applicable to the tenders which were initiated before 01st January 2017.

Thus Russian-originated goods get significant advantage over the ones of foreign origin where the customer falls within the scope of Federal Law No. 223-FZ “On Procurement of Goods, Works and Services by Certain Legal Entities” which corresponds to the general policy of stimulating and speeding up the process of localization of manufactures in Russia.

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We hope that you find the information above helpful. Should you have any questions, please visit our web-site or contact directly Head of ALRUD Commercial practice, Partner **Maria Ostashenko** via e-mail: mostashenko@alrud.com.

Kind regards,

[ALRUD Law firm](#)

Note: All information was obtained from publicly available sources. The author of this information letter assumes no liability for the consequences of decision-making based on such information.