

NATIONAL INDICATIVE PROGRAMME

COUNTRY:	RUSSIAN FEDERATION
BUDGET YEARS:	2004 – 2006
LEGAL BASIS:	TACIS COUNCIL REGULATION 99/2000
BUDGET LINE:	B7-520
COST OF ORDER:	€ 392 MILLION
PROGRAMMING SERVICE:	RELEX.E2

adopted by the European Commission on 21 May 2003

TABLE OF CONTENTS

LIST OF ACRONYMS	III
INTRODUCTION	1
LINK OF IP PRIORITIES WITH POLITICAL OBJECTIVES.....	2
1. SUPPORT FOR INSTITUTIONAL, LEGAL AND ADMINISTRATIVE REFORM.....	9
1.1. ADMINISTRATIVE REFORM.....	9
1.2. JUDICIAL REFORM.....	10
1.3. FIGHT AGAINST ORGANISED CRIME AND TERRORISM.....	12
1.4. MIGRATION ISSUES	14
1.5. SUPPORT FOR CIVIL SOCIETY.....	15
2. SUPPORT TO THE PRIVATE SECTOR AND ASSISTANCE FOR ECONOMIC DEVELOPMENT	17
2.1. SUPPORT TO THE INTEGRATION OF RUSSIA INTO THE INTERNATIONAL ECONOMY	17
2.2. REFORM OF FINANCIAL SECTOR.....	19
2.3. SUPPORT TO POLICY DIALOGUE IN SPECIFIC DOMAINS.....	21
2.4. SUPPORT TO INFRASTRUCTURE MASTER PLANNING	23
3. SUPPORT FOR ADDRESSING THE SOCIAL CONSEQUENCES OF TRANSITION	24
3.1. SOCIAL AND HEALTH SECTOR REFORM.....	24
3.2. LABOUR POLICY AND SOCIAL DIALOGUE	26
3.3. EDUCATION.....	27
3.4. MUNICIPAL SERVICES	29
SPECIAL PROGRAMME FOR THE KALININGRAD OBLAST.....	31
BUDGET ENVELOPPE	35
LIST OF ANNEXES	37

LIST OF ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
CAS	Country Assistance Strategy
CBC-SPF	Cross-Border Co-operation Programme Small Projects Facility
CEES	Common European Economic Space
CIDA	Canadian International Development Agency
CSP	Country Strategy Paper
DfID	UK Department for International Development
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIDHR	European Initiative for Democracy and Human Rights
EU	European Union
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HIV	Human Immuno-deficiency Virus
HLG	High Level Group
IAS	International Accounting Standards
IDP	Internally Displaced Persons
IBPP	Institutional Building Partnership Programme
IBRD	International Bank for Reconstruction and Development (World Bank)
ICT	Information and Communications Technologies
IFC	International Finance Corporation (World Bank)
IFI	International Financing Institution
ILO	International Labour Organisation
IMF	International Monetary Fund

IMO	International Maritime Organisation
LIEN	Link Inter European No-Governmental Organisations
MDG	Millennium Development Goals
NAP	National Action Programme
NCU	National Co-ordination Unit
NGO	Non Governmental Organisation
NIP	National Indicative programme
NIS	New Independent States
PAP	Policy Advice Programme
PCA	Partnership and Co-operation Agreement
PSA	Production Sharing Agreement
RF	Russian Federation
SDR	Special Drawing Rights
SIA	Sustainability Impact Assessment
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprise
SPP	Small Projects Programme
TA	Technical Assistance
TACIS	Technical Assistance to the Community of Independent States
TB	Tuberculosis
TBT	Technical Barriers to Trade
TEMPUS	Trans-European co-operation scheme for higher education
UNSCR	United Nations Security Council Resolution
USAID	United States Agency for International Development
VET	Vocational Education Training
WHO	World Health Organisation
WSSD	World Summit on Sustainable Development
WTO	World Trade Organisation

Introduction

In 2001, the European Commission adopted a Country Strategy Paper (CSP) for Russia for 2002-2006, which provided an analysis of the political, economic and social situation in the country, as well as the EC response strategy identifying a limited number of intervention sectors. Within an overall framework of continuing political stability, economic growth and no significant change in direction in the reform programme, the CSP remains a valid basis for the Community's assistance to Russia.

The present National Indicative Programme (NIP) has therefore been developed on the basis of the CSP and is aimed at delivering continuity with respect to assistance in the previous period (2002-2003). The NIP takes as its basis the current "Medium term programme of social and economic development of the Russian Federation for 2002-2004", focussing on those areas with the strongest RF Government's commitment to reform. The National Co-ordination Unit (NCU) played an important role in balancing aid requests from the Russian line ministries and facilitating co-ordination between the EC and Russia at programming and implementation level.

The NIP also takes into account the likely impact of the forthcoming EU enlargement, reflecting the general objective of making the neighbouring countries aware of the opportunities created by the enlargement, and avoiding any new dividing lines on the European continent. With regard to the legislative/administrative reform and private sector development, the Common European Economic Space (CEES) will also be a progressively more important reference point for Tacis measures. Already, the work programme agreed for 2003-2003 contains elements on which further efforts will likely be needed during the period covered by this indicative programme. Moreover, the CEES concept to be developed by end 2003 will probably confirm, and possibly extend beyond these elements.

In line with the over arching objectives, the Kaliningrad Oblast, with its special geographical situation and its significance to the overall development of the wider Baltic region, will receive special attention in the implementation of the NIP. The NIP therefore foresees allocating €25 million to support the economic and social development of Kaliningrad, in line with Russia's plans for the region. Where relevant, this will be pursued in co-operation with other donors, including the IFIs. The present Indicative Programme for the period 2004-2006 covers three areas of co-operation, in continuity with the previous period 2002-2003:

- Support for institutional, legal and administrative reform
- Support to the private sector and assistance for economic development
- Support for addressing the social consequences of transition

Related activities, identified in previous Tacis Action Programmes are listed in Annex 1. TACIS allocations for Russia under the National Action Programmes 2000-2003 are summarised in Annex 2. Member States' and other donors' co-operation activities in Russia are described in Annex 3.

Link of IP priorities with political objectives

The EC assistance strategy for Russia, as developed in the Country Strategy Paper (CSP) 2002-2006 is based on the principles set out in the Partnership and Co-operation Agreement (PCA), which aims to promote the integration of Russia into a wider area of co-operation in Europe, and in the Common Strategy¹ of the EU on Russia.

The EC strategy takes also due account of the Russian long-term social and economic policy². As a matter of fact, external assistance will only be successful if it is complemented by the country's own efforts to undertake adequate policy reforms, and if it is well targeted, well co-ordinated and integrated into these domestic policies. A high level of assistance needs to focus on areas with strong government's commitments to reform and relative social consensus.

As long as the foundations of the EU-Russian co-operation and the Russia's own reform programme remain valid, the main objectives of EC assistance should not be questioned. However, the relative importance of the different activities foreseen in the CSP need to be reassessed against the most recent developments in terms of (i) EU-Russian co-operation, (ii) progress of the Russian reform programme and (iii) new initiatives. The following sections briefly analyse these three aspects and indicate how they have been taken into account in the development of the NIP 2004-2006.

(i) Developments in EU-Russian co-operation

Partnership and Co-operation Agreement

During the 9th EU-Russian summit on 29 May 2002, both parties reaffirmed their intention to continue making an effective use of the PCA as well as of the Russian medium-Term Strategy for Development of relations with the EU and the EU Common Strategy on Russia.

However, further expansion of co-operation between Russia and the EU is now a central issue for both the Russian Government and the Greek EU Presidency. The next summit in May 2003 is expected to be the starting point for the review of EU-Russian relations and could determine new strategic areas of co-operation for the future.

The present NIP includes a specific provision in support to new initiatives that are likely to arise during the period 2004-2006 and for which policy /legal advice and EU expertise may be needed (see section 2.3 of the programme).

¹ "Common Strategy of the European Union of 4 June 1999 on Russia", (1999/414/CFSP), OJ L157/1 of 24.6.1999.

² "Основные направления социально-экономической политики Правительства Российской Федерации на долгосрочную перспективу" (2001), at <http://www.economy.gov.ru/program/soderzanie.html>

Trade related issues

At the occasion of the 9th EU-Russia summit, the EU declared its intention to modify its legislation to grant Russia full market economy status.

The High level Group (HLG) on the Common European Economic Space (CEES), at its second meeting in March 2002, adopted a work plan establishing a targeted approach: A list of key issues for work was agreed, with possible objectives and practical steps to achieve regulatory approximation. The HLG has also agreed that the overall aim of the CEES is to link the EU and Russia in a privileged relationship, focusing on regulatory and legislative convergence and trade and investment facilitation. The HLG confirmed that the broad objective of regulatory convergence is in itself a desirable goal that should bring substantial benefits to both the EU and Russia, not least permitting economic agents to operate subject to common rules and conditions.

Support to the further integration of the EU and Russian economies is an essential component of the NIP, aiming to help removing non-tariff barriers to trade and investment through the progressive approximation of relevant Russian legislation with the “*acquis communautaire*”.

Economic and social development of the Kaliningrad oblast

At the occasion of the 10th EU-RF summit on 11 November 2002, the parties agreed to implement a comprehensive package of measures in order to ensure easy passage of borders for legal purposes with a view to facilitate human contacts and promote the development of the Kaliningrad Region. In this context, the EU will continue to support technically and financially Russian efforts to promote the economic development of the Kaliningrad Region and to strengthen cross-border co-operation along the borders of the enlarged EU with Russia, including measures to improve border management and border infrastructure. The parties noted that development of the Kaliningrad Region is important for the overall development of the Baltic Sea area.

The present NIP foresees allocating € 25 million to support the economic and social development of the oblast, in line with Russia's plans for the region.

(ii) Progress of the Russian reform programme

The areas addressed hereafter are all included as priorities in the CSP for Russia.

Administrative reform

Over the past few years there has been a gradual change in Russia's "first generation" economic policy priorities to a greater focus on institutional reform. This had led recently to an expansion in the scale and scope of public sector institutional activities in Russia. The Russian government has pursued a strategy to enhance the institutional capacity in the areas of budgetary reform, fiscal management, public administration and civil service. In November 2002, President Putin issued a decree approving a Federal Programme on Civil Service Reform for 2003-2005, which covers issues such as recruitment, ethics, training, evaluation and financial incentives. In line with the Federal Programme, a draft

law on the civil service is currently being prepared with the aim to improve the professionalism and efficiency of the civil service, mainly through more rigorous and transparent recruitment procedures, a code of conduct and performance-related financial incentives. Following approval of the civil service law, the Government will develop a broader strategy for institutional reform of the public sector as the second step in the development and implementation of an agenda for public administration reform. A draft law introducing new rules for public procurement is expected to reach the Duma before the end of February 2003. Another draft law under preparation concerns public access to information. Increased information is to become available on public recruitment and public procurement tenders to reduce opportunities for corruption.

Support to the reform of the public service is an essential component of the NIP 2004-2006.

Judicial reform

Judicial and legal reform has gained momentum in the Russian Federation, as reflected in a series of reforms and new laws. New Justice of the Peace courts have been opened at the beginning of 2002 after being first introduced in 2000 in pilot regions; jury trials have started for criminal cases in 9 regions, and will be generalised throughout the Russian Federation in January 2003. A new Criminal Procedure Code is effective since July 2002 and new statutes on Civil and Arbitration procedures have come into force at the beginning of 2003. From 2002 the costs of the judicial system, police and prosecutors have been shifted to the federal budget. Appropriations for financing the judicial system will be increased by one third in 2003 and the number of judges increased by 3000 people.

Support to the judicial reform is an essential component of the NIP 2004-2006.
--

Economic reform

Major steps in the reform process that underpin economic performance include legislation on the sale of real property and, currently, passing through the Duma, on sales of agricultural land. In the Duma some 30 economic bills have been passed recently including measures to reduce the tax and administrative burden on SMEs. Despite Russia's achievements much still remains to be done. Key areas still to be tackled include the reform of the financial services sector. Proper financial regulation and supervision must be introduced and the dominant role of the state-owned banks needs to be clarified. Progress in the banking reform is expected for 2003, including the establishment of a system of insurance for private deposits. A new law on insolvency came into force in December 2002. The introduction of new accounting standards in line with International Accounting Standards (IAS) is a key element for the creation of a conducive business and investment climate. Although the process, launched in 1998, has suffered considerable delays, the Government has announced that the actual transition to IAS will take place in 2004. Some core standards have already been developed for the Banking sector and for listed companies, and the majority of listed companies wishing to attract international financing produce financial reporting in line with IAS.

In continuity with the period 2002-2003, the present programme will focus on establishing the legal and regulatory framework required improving the business environment in Russia. The programme also aims at fostering the volume of investment from IFIs to the productive sector at the level of SMEs.

Reform of natural monopolies

The progress with reforms of natural monopolies in 2002 was quite limited. Legislation on the electricity sector reform is stalled in the Duma after its approval in the first reading. Legislation on the railways sector reform was only partially approved. A concept for gas sector reform prepared by the Ministry of Economic Development and Trade is still under discussion, which involves Gazprom, different government agencies and business associations. Some preliminary reform steps were taken in the electricity and railways sectors. The Federal Grid Company was established which marks a formal start of reforms in the electricity sector. The Ministry of Railways completed a comprehensive inventory of its assets. Duma elections scheduled for 2003 could be the serious obstacle to the reform approval and implementation next year. Most probably, real reforms of natural monopolies will be implemented after the presidential elections in 2004.

This sector is covered by the NIP 2002-2003. In addition, the present NIP gives provisions for support to ongoing or potential policy initiatives related to key industrial sectors.

Municipal reform

In November 2001, the Government of the RF adopted the “Reforming and Upgrading of the Housing and Utilities Sector in the Russian Federation, Subprogram within the Federal Targeted Housing Program for 2002 to 2010”, calling for significant reforms and aiming at the establishment of market-based relationships in the housing and communal services sector.

In line with the CSP and the previous NIP, the present programme will support the development of efficient municipal services. Direct synergies will be sought between technical assistance and investments for the development of municipal infrastructures by relevant IFIs active in the sector.

Civil society

As far as the development of civil society is concerned, Russia and the EU reiterated their commitment at the EU-Russia summit on 29 May 2002 to strengthening a society based on respect for democratic principles and human rights. Today, non-governmental organisations in Russia are still unable to make an impact in the political arena and lacks the financial means to become a *third force*.

In line with the CSP, civil society capacity building remains a priority objective of the programme.

Social and labour issues

The Government's reform programme devotes particular attention to social issues and Russia's poor public health record is increasingly seen as a major challenge. A broader political consensus seems now to exist on the need to address basic social problems and re-launch deep structural reforms, which should enhance the quality of basic public social services while ensuring minimal safety nets to the most vulnerable population groups. Work has started on the establishment of a modern social policy, incorporating concepts of medical and social insurance. Pension reform is a particularly important item on the agenda and a detailed plan of legislative and administrative changes is being implemented to this end. The reform that began at the beginning of 2002 is showing its first positive results: pensions were raised twice in 2002, and 70% of working citizens began transferring funds into cumulative pensions.

The adoption of the new Labour Code in February 2002 allows widening the rights of the employees and increasing the role of the trade unions in recognising the social guarantees of the employees. At present, on the agenda there is the review of a huge quantity of sub legislative provisions, which includes also provisions in the area of health and safety at work.

Support to the Government reform effort in these areas is an essential component of the present programme.

(iii) New initiatives

Trade and development, Environment

The importance of the relationship between development, trade and integration into the world economy has been increasingly recognised at international level, notably at three major conferences. Most recently, the Johannesburg World Summit on Sustainable Development (WSSD) stressed the need for mutually supportive trade, development and environmental policies and encouraged the use of national impact assessments to identify trade, environment and development linkages. In this context, the EC identified the main areas for the EU to concentrate assistance for trade capacity building³, which include: (i) support for WTO accession and multilateral trade negotiations (ii) support for the implementation of future trade agreements (iii) support for policy reforms and investments necessary to enhance economic efficiency and to ensure greater participation in the world economy. Moreover, in order for trade to contribute to the fight against poverty and inequality and maximise the benefits of higher integration into the world economy, trade reforms must be part of a wider sustainable development strategy that includes inter alia, a combination of sound macroeconomic policies, improved delivery of education and health services, appropriate safety nets, respect for core labour standards, improved infrastructure and effective enforcement of a regulatory framework that

³ COM(2002) 513 « Trade and Development Assisting Developing Countries to benefit from Trade »

guarantees the proper functioning of the markets, and appropriate environmental legislation.

On the occasion of the WSSD and in the framework of the EU initiative “Water for life”, the EU and twelve states of Eastern Europe, the Caucasus and Central Asia launched a strategic partnership on water for sustainable development, which focuses on the management of water supply and sanitation infrastructures and integrated management of water resources.

The analysis in the TACIS CSP currently reflects the gap in Russia between economic growth and human development and proposes a balanced approach addressing also social, labour, health and environmental issues. Consequently, the use of sustainability impact assessments is encouraged in the present programme. In addition, assistance is foreseen in the next period for the management of water supply and sanitation at municipal level.

Terrorism and organised crime

United Nations Security Council Resolution (UNSCR) 1373 laid down requirements for legislative and other actions that need to be taken to prevent and combat terrorism. UNSCR 1377 underlined that many States would require assistance in implementing the requirements of the Resolution 1373. Against this background, the Commission examined to which extent its external aid programmes support activities that might facilitate the implementation of the Resolution⁴.

In the case of Russia, the TACIS CSP already provides for a number of activities combating terrorism indirectly, including civil society capacity building, support to legal and judiciary reform and continued engagement against “soft security threats”. The present NIP follows these lines and gives specific orientations in the area of Justice and Home Affairs (judicial and law enforcement capacity building, fight against organised crime, fight against money laundering).

Migration issues

Migration is a major strategic priority for the EU. Following the requests made by the European Council in Seville, the Commission calls for concerns related to legal and illegal migration to be integrated into the external policy and assistance programmes of the EU⁵. The issue of migration is particularly important for the regions bordering the future enlarged Europe. The current TACIS Regional programme addresses the issue with the ultimate aim to combat smuggling in illegal migrants and reduce illegal migration flows.

⁴ SEC(2002) 231 “EC external assistance facilitating the implementation of UN Security Council Resolution 1373: an overview”, Commission staff working paper.

⁵ COM(2002) 703 “Integrating migration issues in the European Union’s relations with third countries”

The present NIP for Russia complements these activities with measures to improve the asylum system in Russia, to facilitate the implementation of the EU-Russia re-admission agreement under discussion, and to address the issue of internally displaced people in need of protection.

1. SUPPORT FOR INSTITUTIONAL, LEGAL AND ADMINISTRATIVE REFORM

1.1. ADMINISTRATIVE REFORM

1.1.1. Background and justification

As part of its long-term efforts to develop an efficient modern state, the Government of the Russian Federation (RF) is developing a major programme to modernise and improve public administration, including better professional competence and reduced arbitrary discretion of civil servants, as well as better participation of citizens and civil society in regulation-making and supervision of state functions. The main goal of this modernisation is to increase the effectiveness of the public administration in providing services for citizens, enhancing the rule of law and removing administrative barriers in dealing with the business sector.

The administrative reform is a defining factor to combat corruption, as it addresses the root of the problem, i.e. the bureaucratic over-regulation of economic activity, which creates the opportunities for corruption.

One of the key components of the administrative reform programme is the regional aspect. Implementation of the programme, based on the principles of federalism makes it necessary to improve the legal framework of clear and consistent demarcation of power between federal, regional and local authorities.

The reform of public administration is the key to effective implementation of the new, market-oriented economic legislation, as well as to the improvement of the relationship between individual citizens and the state. Technical assistance should be supportive to the implementation of this long-term, key reform. An analysis of the administrative reform process in Russia is given in Annex 4.

1.1.2. Objective

- Contribute to the successful implementation of the Russian Federation Government's public service reform programme, aiming to:
 - a public administration adapted to the requirements of a market economy and a democratic society,
 - a clear demarcation of authority, obligations and responsibilities between federal, regional and local authorities.

1.1.3. Orientations for programme development

- Support provided in developing a legislative and regulatory framework of governmental and administrative structures with clear definitions of areas of responsibilities and competencies, in particular between the federal, regional and local authorities;
- Effective support provided in the development of a civil service legislation which defines the rights and personal responsibilities of civil servants as well as specifying

sanctions for violations, and procedures for appeals in accordance with a professional code of conduct;

- Legal and policy advice on human resources management and development in the civil service;
- Assistance provided in the reduction of administrative barriers to business activity and investment.

1.1.4. Expected results

- Mechanisms securing transparency and accountability of the civil service to Parliament, public associations and unions, and civil society as a whole;
- Reduction of prerequisites for corruption in government agencies;
- Improved and modernised public administration as a mechanism for implementing reforms in the economic and social sphere;
- Reduced bureaucratic intervention in the economy.

1.1.5. Indicators

- Adoption and enforcement of relevant legislation and mechanisms for their implementation;
- Published information on public recruitment, public procurement tenders, and draft legislation;
- Reduced scope and number of reported cases of corruption in government agencies.

1.1.6. Assumptions

- Continuous political commitment to the reform programme;
- Support from civil servants and from the general public, and information made publicly available on the progress of reform.

1.1.7. Indicative budget

€ 30 million

1.2. JUDICIAL REFORM

1.2.1. Background and justification

Well functioning domestic judicial institutions are a precondition for the effective application and enforcement of legislation. They are prerequisite for the establishment of a favourable climate for European and Russian business and investment. They are essential for the consolidation of democracy, the rule of law and civil society. Judicial reform remains a long lasting programme for Russia that deserves continued support. Proper attention should also be paid to co-ordination between the federal and the regional legal systems to ensure that the necessary mechanisms for law enforcement and defence

of individual rights are available for every citizen and effective throughout the whole territory of the Russian Federation.

1.2.2. Objectives

Main objective:

- Progress towards a well-functioning, independent, impartial, accountable, accessible, competent and effective judiciary in Russia

Specific objectives:

- Continued implementation of long-term judicial reform in Russia, including in those areas of the law dealing with commercial, trade and investment issues;
- Further development of judicial systems, for example administrative courts, justice of the peace system or advocacy system and prosecutor system;
- Improvement of judicial coherence and consistency between different levels of the judicial system throughout the Russian Federation;
- Development of judicial co-operation between Member States and the Russian Federation;
- Improvement of citizens' equal access to justice, and information on their fundamental rights.

1.2.3. Orientations for programme development

- Training of judges, court staff, and staff of prosecutors' offices, in particular in commercial law and economic matters, including fight against money laundering, intellectual property rights, as well as the principles of human rights.
- Working with Member States to establish procedures for more effective judicial co-operation between Member States and the Russian Federation including exchanges of personnel.
- Support to the implementation of the Criminal Procedure Code of July 2002 through the training of judges, advocates and prosecutors;
- Promotion of the adoption and implementation of laws on alternative penalties and detention policy, in particular in the context of juvenile crime;
- Support for improvement of court system (administrative courts, justice of the peace system);
- Support for arbitration court system dealing with disputes concerned with trade, investment and commercial issues;
- Support for alternate dispute resolution methods.

1.2.4. Expected results

- Enhanced professionalism and independence of judges with regards to the political power;
- Faster and more transparent court procedures;
- Higher rate of enforced court decisions in civil and criminal matters;
- Better protection of the accused against human rights violations;
- Possibility for citizens to begin court proceedings against the administration;
- Strengthened system for non-custodial sentences;
- Higher level of public confidence in the judiciary system.

1.2.5 Indicators

- Number of judicial staff trained and share of the total number;
- Number of lawyer staff trained and share of the total number;
- Proportion of court decisions enforced;
- Proportion of juvenile offenders benefiting from alternative penalties;
- Statistics on prison population (male, female, youth offenders);
- Reported cases of human rights violations.

1.2.6 Assumptions

- Continued political commitment to the reform programme

1.2.7 Indicative budget

€ 32 million

1.3. FIGHT AGAINST ORGANISED CRIME AND TERRORISM

1.3.1. Background and justification

The Russian Federation and the EU have a common interest in stepping up their co-operation in the fight against common scourges, including terrorism and organised crime. In that context, the European Council adopted in 2000 an “*Action Plan on Common Action for the Russian Federation on Combating Organised Crime*”⁶. The action plan applies, in particular, to criminal activity in relation to trafficking in people, drugs, arms and stolen property, money laundering, corruption, high-technology crime, financial crime and illegal immigration.

⁶ Official Journal of the European Communities C 106/5 of 13.04.2000

Main objective

1.3.2. Objective

- Contribute to strengthening Russia's capacity to fight organised crime.

Specific objective

- Implementation of national and international agreements by relevant enforcement bodies.

1.3.3. Orientations for programme development

- Support to institution building and the improvement of the administrative and legislative framework in the field of combating organised crime;
- Support to the enforcement of laws and regulations through assistance and training activities;
- Support to the implementation of relevant international conventions, e.g. on terrorism.

1.3.4. Expected results

- Greater and more effective co-operation and co-ordination between relevant EU and Russian Federation agencies;
- More effective conviction of members of organised crime rings.

1.3.5. Indicators

- Detection and conviction rates
- Number of people trained.

1.3.6. Assumptions

- Conclusion of an Europol / Russia framework agreement;
- Russia to respond to the invitation to initiate discussions on judicial co-operation with Eurojust;
- Ratification of international instruments that are of importance in combating organised crime, e.g. relevant conventions of the Council of Europe (in particular the Civil Law Convention on Corruption of 1999 and the Criminal Law on Corruption of 1999);
- Continuing Russian Government support to the implementation of the Action Plan against organised crime;
- Continued close co-operation between RF and the EU on law enforcement matters within the framework of the Task Force on Organised Crime in the Baltic Region.

1.3.7. Indicative budget

€ 20 million

1.4. MIGRATION ISSUES

1.4.1. *Background and justification*

Russia is a destination country as well as a transit country for refugees. It is also a refugee producing country. Serious shortcomings in the present Russian asylum system induce asylum seekers and refugees to move further westwards, often in an irregular manner.

Russia also suffers massive internal migration brought about by both internal conflicts and economic transition. Of an estimated 5 million internally displaced persons (IDP), only 2 million have been legally registered. IDP with no legal registration are deprived of legal and social rights such as housing, health care and education and have living standards significantly lower than the minimum subsistence level.

The programme should also support co-operation with EU in implementing joint policy decisions and agreements on migration questions.

1.4.2. *Objective*

- Progress towards a well-functioning system, firmly based on equitable and humanitarian principles for dealing with asylum seekers and IDP.

1.4.3. *Orientations for programme development*

- To contribute to the improvement of the asylum system in Russia, including strengthening the capacity of the government agencies and NGOs to effectively and equitably handle asylum claims.
- To improve co-ordination between migration authorities with regard to registration of migrants and asylum seekers. To improve the capacity for reception of asylum seekers and for detention of illegal migrants in line with basic human rights standards.
- To assist in creating the prerequisites for the implementation of an EU-Russia Readmission Agreement.

To assist Russia in developing models for dealing with, at regional and municipal levels, the needs of the migrant populations, asylum seekers and other persons in need of protection.

1.4.4. *Expected Results*

- Approximation of Russian with EU migration-related legislation. Harmonisation of regional laws on migration with federal legislation.
- Development of mechanisms to manage migration processes in a transparent manner including the training of officials in relevant state agencies to handle migrants and asylum seekers claims;
- Provision of support in drafting of EC-Russia readmission and other relevant agreements as well as NIS-Russia agreements where relevant.
- Development of federal legislative and regulatory framework, and assistance to its application in selected regions involving local communities to ensure better

integration of newly arrived migrants, in particular in the area of social and legal protection. Increase of information provided to of migrants concerning their legal rights.

1.4.5. Indicators

- Return of illegal immigrants from or to Russian Federation;
- Reduction in the number of migrants without legal status;
- Numbers of re-trained officials handling migrant and asylum related issues;
- Adoption of appropriate social and economic programmes in support of the integration of migrants and IDP at regional and municipal levels.

1.4.6. Assumptions

- Commitment of the Ministry of Interior to approximate Russian asylum and migrants-related legislation to international standards;
- Political and financial commitment to support re-training of officials handling migrant and asylum related issues;
- Conclusion of an EU-Russia Readmission Agreement;
- Political, legislative and public support for greater integration of migrants and IDP into local communities.
- The programme should be implemented in close co-operation with all relevant bodies active in the sector, e.g. the United Nations High Commissioner for Refugees.

1.4.7. Indicative budget

€ 20 million

1.5. SUPPORT FOR CIVIL SOCIETY

1.5.1. Background and justification

The development of a strong civil society enables wider citizen participation in influencing social, cultural and economic policy, as well as holding the government accountable for its actions. Civil society in Russia is developing slowly and most of the registered non-governmental organisations (NGO) are still considered to be weak. However, the number of professional organisations and networks of civil actors is increasing and there are indications that the authorities are paying more attention to civil society.

EU support to the development and implementation of legislative reform, reform of the public service, judiciary and public welfare, are all factors that will benefit civil society. However, further strengthening of civil society also requires specific actions directed to the different parties: citizens, state and civil society bodies. Experience should be drawn from existing Tacis initiatives, such as the Russian Regional Environmental Centre. As concerns support to civil society organisations dealing with human rights and democracy account should be taken of the EIDHR programming. The strategy of the EIDHR is

realised in partnership with NGOs or international organisations such as the Council of Europe and the OSCE.

1.5.2. Objective

- Contribute to strengthening role and legitimacy of Russian civil society

1.5.3. Orientations for programme development

- To promote better access for citizens to information and greater awareness of their own legal and social rights, as well as involvement in consultative processes and initiatives that directly affect their rights, particularly at local level.
- To promote the development of partnerships between Russian and European civil society organisations with a view to enhancing mutual co-operation and understanding.
- To promote public-private dialogue and partnership in the decision making process.
- To support the development of independent media in selected regions.
- To enhance capacity of civil society organisations to promote active citizenship and tolerance within Russian society. To improve co-operation between relevant agencies, local municipalities and NGOs in combating discrimination (on the grounds of sex, religion or belief, disability, age, and sexual orientation) within Russian society.

1.5.4. Indicators

- Numbers of information and advice campaigns on legal and social rights as well as consultative processes conducted in regions and municipalities
- Numbers of registered partnerships at regional and municipal levels as well as of other civil society organisations;
- Degree of concentration in the media industry;
- Number of local administrations/regions adopting policies promoting tolerance between ethnic groups.

1.5.5. Assumptions

- Co-ordination with other donors and with other EU programmes, e.g. EIDHR;
- Political support at all levels for a greater role for civil society;
- Political support for information and advice programmes in the regions and in municipalities.

1.5.6. Indicative budget

€ 20 million

2. SUPPORT TO THE PRIVATE SECTOR AND ASSISTANCE FOR ECONOMIC DEVELOPMENT

2.1. SUPPORT TO THE INTEGRATION OF RUSSIA INTO THE INTERNATIONAL ECONOMY

2.1.1. *Background and justification*

The aim of integrating Russia into the international economy is in line with the economic reforms that Russia has vigorously pursued in the past several years, the objective of which is to achieve sustainable long-term economic development. Assistance should continue to support the Russian government strategies for economic and social reform, at the same time promoting the integration of trade and investment policies into a wider sustainable development strategy linking economic, social and environmental aspects.

In terms of integrating Russia into the international economy, technical assistance should consider both multilateral and bilateral aspects. On the multilateral level, negotiations for Russian accession to the World Trade Organisation (WTO) have intensified, with the hope of concluding negotiations on mutually beneficial terms. Support will need to continue to be provided to assist Russia in complying with accession requirements. After accession, further support will be necessary to ensure Russia can adequately participate in all WTO bodies. On the bilateral level, the EU and Russia are in the process of implementing the PCA and, simultaneously, defining the concept of a CEES which may have wider consequences. In general terms, this means considering linking the EU and Russia in a special, closer relationship reflecting their proximity to each other, which will focus on legislative harmonisation, regulatory convergence and trade facilitation.

Technical assistance under this heading should accordingly focus on legislative and regulatory convergence between the Russian Federation and the EU with a view to remove non-tariff barriers, particularly in the sectors identified by the CEES work plan of May 2002 as being of greatest benefit (standards, technical regulations and conformity assessment procedures (including the areas of metrology, accreditation and market surveillance), accounting and auditing, public procurement, customs, financial services, transport, space launching services, telecoms and competition, plus certain agricultural and industrial sectors). In this context, approximation of customs standards and procedures deserves a particular mention, owing to its expected impact on trade facilitation.

2.1.2. *Objectives*

Main objective

- Progress toward further integration of Russia into the international economy.

Specific objectives

- Provide assistance to the preparation of Russia for WTO accession and to the implementation of Russia's obligations after accession to the WTO, and strengthen the administrative capacity necessary for these tasks *[the balance between the two tasks will depend on the progress of relevant negotiations]*
- Support economic integration initiatives arising in the context of the CEES between the EU and Russia.

2.1.3. Orientations for programme development

- Identify policy initiatives aimed at diversifying Russian industrial production away from over-reliance on the export of raw materials and basic manufactures. Special attention should be devoted to some industrial sectors that need restructuring, as well as with sectors covered by sectoral EU-Russia agreements.
- Ensure Russia has the institutional and administrative capacity to carry out its WTO obligations, including consistent implementation and enforcement throughout the Federation of rules in accordance with international standards.
- Align, where appropriate, relevant Russian laws and regulations with the EU “*acquis communautaire*” in key economic sectors, including agriculture, and in the environment area. As a first step, implement the CEES work plan with a view to remove non-tariff barriers to trade and investment.
- Carry out assessments of the likely long-term impact of all relevant major policy initiatives, to assess their possible social, economic and environmental consequences (Sustainability Impact Assessment (SIA)). This analysis could lead to specific assistance actions in the social area, as addressed in section 3.
- Further alignment with the EU of legislative, regulatory and methodological frameworks for Customs and Statistics, and improvement of administrative capacity, in the wider context of WTO accession, PCA and CEES implementation, and other forms of co-operation between the EU and Russia. The Customs Programme should be turned into an efficient tool for support of initiatives and Custom policies defined by RELEX and TAXUD in co-operation with the Russian counterparts.

2.1.4. Expected results

- Long-term sustainable economic development in Russia on the basis of transparent and consistent regulations governing the market;
- Integration of EU and Russian economies along mutually-beneficial lines;
- Reduction of non-tariff barriers to trade through convergence of norms;
- Increased freedom of movement of goods, services and capital.

2.1.5. Indicators

- Degree of completion of procedures for accession to WTO;
- Good standing as WTO compliance, such as in the Technical Barriers to Trade (TBT) Committee, and absence of complaints;
- Degree of legislative/regulatory convergence in the fields of foreign trade regulation and internal economic regulation.

2.1.6. Assumptions

- Implementation of the relevant PCA articles;

- Appropriate administrative and jurisdictional structures for enforcement and implementation of new laws and regulations;
- Continued progress on the concept of CEES, and early steps to prove capacity to deliver;
- Establishment of a functioning single economic space between the constituent regions of the Russian Federation;
- Support from political and business communities likely to be affected by WTO accession and CEES development.

2.1.7. Indicative budget

€ 45 million

2.2. REFORM OF FINANCIAL SECTOR

2.2.1. Background and justification

Although the pace of Russia's economic reforms has been impressive over the last few years and macro-economic performance has remained positive in the context of the recent economic slowdown, the sustainability of growth remains under question. The Russian economy is still characterised by structural imbalances, notably over-dependence on natural resources and lack of diversification. Moreover, low levels of investment in the productive sector, and in particular low FDI flows, have seriously constrained the recovery of the Russian economy. The ratio of investment to Gross Domestic Product (GDP) is still low by international standards, while capital flight and money laundering remain issues of concern. Overall the Russian economy is excessively dependent on a limited number of external factors and appears fragile.

As for reforms in the financial services sector, further legislative work will have to be pursued in spite of the significant array of new legislation that has been processed or launched, for instance in important areas such as accounting standards and bankruptcy legislation. Moreover, the often inadequate implementation and enforcement of laws and regulations represent a further major constraint on economic development.

A key objective is to support consolidation of a sound financial sector in Russia. Accelerating banking reform, developing the insurance and securities markets, and improving investment mechanisms should contribute to bridging the gap between savings and investment and so create a stimulus to growth in Russia. Application of accepted international standards or core principles, which serve to protect clients (depositors, investors, policyholders) and creditors are essential for a performing and stable financial sector and to ensure that markets are fair, efficient and transparent.

2.2.2. Objectives

- Progress toward a favourable business and investment climate, ensuring increased and wide-spread domestic and foreign investment flows into the productive sector of the Russian economy and creating the conditions for a sustainable, broad-based economic growth of the Russian economy; A financial sector fully exercising its role as a key promoter of economic development.

2.2.3. Orientations for programme development

- Consolidation of a sound and effective financial sector in Russia, combining competitive and efficient banking and investment institutions, the stock market and insurance services;
- Fight against money laundering, implementation and enforcement of related international conventions to boost confidence in the Russian financial system;
- Promotion of investment in Small and Medium Enterprises (SMEs), in close collaboration with relevant International Financial Institutions (IFIs).

2.2.4. Expected results:

- Enhanced efficiency, performance, financial transparency and credibility of a restructured financial sector;
- Reduced incidence of financial abuse and money laundering;
- Further approximation and convergence of relevant EU and Russian legislative and regulatory frameworks;
- Guaranteed equal terms of competition for economic operators (“level playing field”);
- Increased investment flows into the economy across a wider range of productive sectors;
- Further development of small and medium entrepreneurship.

2.2.5. Indicators

- Adoption and implementation of relevant legislation;
- Compliance with the Financial Action Task Force’s (FATF) recommendations;
- Volume of capital inflows, including FDI, and outflows;
- Share of the contribution of SMEs to Russian GDP;
- Volume of investments from IFIs to the productive sector at the level of SMEs;
- Extent of application of bankruptcy procedures and elimination of insolvent institutions from the market.

2.2.6. Assumptions

- Adoption of required legislation, its implementation and enforcement
- Application of international standards of financial reporting

2.2.7. Indicative budget

€ 30 million

2.3. SUPPORT TO POLICY DIALOGUE IN SPECIFIC DOMAINS

2.3.1. Background and justification

EU-Russia relations are likely to become more dynamic and focussed on creating a CEES. In parallel, major initiatives on mutually beneficial co-operation in a variety of sectors have been launched or are likely to be launched, reflecting inter alia EU enlargement. Some examples of ongoing or likely initiatives are given below:

The “Energy Dialogue” was launched at the sixth EU-RF Summit in October 2000 with a view to moving towards the definition of an Energy Partnership. Since late 2001, work has been focussed on, inter alia, energy infrastructure projects defined as being of common interest, improvement of the legal framework for energy production and transport in Russia, including the completion of the regulatory provisions for production sharing agreements (PSA) and a mechanism for assisting investors in the energy sector, legal security for long-term energy supplies, ensuring the physical security of transport networks, examining the issue of electricity interconnections, enhancing energy technology co-operation and improving energy use and energy efficiency. Agreed progress reports are submitted to the EU-RF Summits, which meet twice a year, which detail progress achieved and propose priorities for the short and medium term.

Linked to the energy efficiency efforts under the Energy Dialogue is the co-operation on Sustainable Development, which has been started by a joint working group under the PCA Environment Sub-Committee. Important topics are climate change, in particular the implementation of the Kyoto Protocol, convergence of standards, and efficient use of natural resources, including energy, water and forests. This co-operation is expected to bring considerable economic and social benefits:

- to increase efficiency in the use of energy, water, wood and other raw materials;
- to reduce risks of accidents and environment-related disease;
- to mitigate the effects of pollution, in particular of seas and inland waterways;
- to facilitate access of exports to foreign markets.

Ongoing work in the context of the EU-Russia bilateral relations and the development and implementation of the EU-NIS strategy partnerships on water and environment will contribute to identifying further priorities for specific fields of action.

In the transport sector, a number of issues of common interest justifies an enhanced partnership in the near future in areas such as civil aviation, rail, road, maritime and waterways transport. Related issues are safety and security standards, customs procedures, traffic management, environmental issues, access to transport networks and their inter-operability. Further development of the Pan-European Transport Corridors, promoted by the EU as an extension to the Trans-European Networks, is likely to result in issues that go beyond the regional aspect and are specific to Russia. Transport problems in border regions after EU enlargement (e.g. Kaliningrad, waterways) will need to be addressed. The Commission intends to launch a dialogue on aviation with Russia that would cover air safety, participation in European organisations like Eurocontrol or the new European Aviation Safety Agency, and industrial co-operation. Issues to be

addressed also include the resolution of long-standing contentious issues like aircraft noise and the phase-out of royalties for flying over Siberia.

Particular emphasis should be put on the development of the on-going dialogue with Russia on the maritime transport sector. The following areas should be developed as priorities: maritime safety, maritime training, liberalisation of the sea-river transport services in Russia, co-operation in Research and Development, use of Automatic Identification System on board vessels, co-operation in the field of maritime transport security measures (implementation of recently agreed maritime security legislation in International Maritime Organisation (IMO) and co-operation within the G8 context). It should also be added that the Conclusions agreed at the Council of Transport Ministers of December 2002 include an “agreement” which stipulates that heavy grade of oil should only be transported in double-hull tankers. The Council’s conclusions also underlined the EC’s intention: “to take the necessary steps in co-operation with Member States, to ensure that EU candidate countries, as well as other neighbouring countries, including Russia, participate in such an “agreement”.

Co-operation in the field of aerospace is expected to start in 2003 through the 6th Framework Programme of Research and Development. Russian participation in the GALILEO project is likely to be high on the agenda. Russia’s participation in the European Radio-navigation Plan (ERP) is closely linked to that objective. Other potential applications of common interest, using satellite navigation, could also be discussed, e.g. surveillance systems for transport and energy networks.

The sector of telecommunications is essential for economic integration. Legislative and regulatory convergence in the fields of telecommunications and electronic commerce should be particularly relevant in the context of the CEES. The implementation of an appropriate investment framework would allow for the development of an optimal telecommunications infrastructure. In the coming years Russia will be facing the need for a large-scale modernisation and re-industrialisation of its economy, on the basis of modern technologies and know-how. Russia’s transformation to the Information Society is essential in this respect. This includes increased use of new technology by government, businesses and citizens, a reasonably priced and easily available information infrastructure for businesses, households and government offices as well as a dynamic ICT and telecommunications sector.

Further initiatives for political dialogues are likely to arise in the period covered by this indicative programme.

2.3.2. Scope and instruments

A two-tier approach should enable to support both the fast dynamics of the policy dialogue and longer-term prospects for building up the CEES.

Decisions on priorities for actions are made at the relevant PCA Sub-Committee or a body it has delegated this function to (e.g. joint working group). The Tacis programme can contribute to this process through provision of policy / legal advice at short notice. For this purpose, particular attention should be paid to rapid implementation, by favouring smaller and easy to handle projects that may benefit from a simplified procedure.

On a longer-term basis, Tacis can contribute to the achievement of specific policy-related goals as identified in the EU-Russia political agenda for specific economic sectors. Definition and implementation of projects has a time perspective that inevitably goes beyond the short-term objectives and expectations of the political agenda. Hence, projects must be selected not only on the basis of political priority but with a view to feasibility, speed of implementation and value-added.

The right balance between the different industrial sectors will depend on the relevant political developments at the time of implementation.

In the context of EU enlargement and possible policy developments concerning regions close to the EU, co-operation could be intensified with specific regions in the western part of Russia. This could cover several sectors such as energy security, safety and efficiency, transport and environment. Crosscutting pilot projects may therefore be identified which may include twinning with EU counterparts. Best practice from pilot projects should then feed into actions of other donors and into regional federal policy. Foremost here is the region of Kaliningrad, whose land borders will be exclusively with EU member states.

2.3.3. Objectives

- To provide policy / legal advice and EU expertise to support on-going or potential policy dialogues, with particular focus on key industrial sectors and the environment; To facilitate the formulation of new initiatives.
- To support effective implementation of political decisions taken by the relevant PCA structures.

2.3.4. Indicative budget

€ 30 million.

The budget distribution between the different sectors referred to in this chapter will have to reflect the importance of the related political initiatives at the time of implementation.

2.4. SUPPORT TO INFRASTRUCTURE MASTER PLANNING

2.4.1. Background and justification

Infrastructure is the essential basis of all economic and societal activity. Without functioning transport, energy and telecommunications infrastructure, business cannot operate. Similarly, without such infrastructure people cannot survive. These considerations are especially important in Russia because of its huge geographical size and its extremes of climate.

Over the last ten years, the state of infrastructure across the country has seriously deteriorated and it is now an increasing obstacle to the Government's medium-term priority of economic modernisation. It is also causing increased hardship for many sectors of the population.

Although Tacis itself cannot fund a comprehensive infrastructural development program, it can give access to relevant expertise, available in EU member and applicant states on how to plan and finance such programmes.

2.4.2. Objectives

Main Objective:

- To contribute to the development of reliable, efficient, modern and safe infrastructure.

Specific Objectives:

- To provide advice to the Government of the Russian Federation on policy, legal and regulatory aspects for master planning infrastructural development programmes;
- To give access to relevant EU expertise for adapting and adopting best practices in infrastructural development policies.

2.4.3. Indicative budget

€ 15 million

3. SUPPORT FOR ADDRESSING THE SOCIAL CONSEQUENCES OF TRANSITION

3.1. SOCIAL AND HEALTH SECTOR REFORM

3.1.1. Background and justification

Despite certain economic progress since 1999, Russia still faces considerable social problems including high levels of poverty, a sharp rise in social disparities and deteriorating levels of public health.

Around thirty per cent of the population lives below the poverty line with incomes below the minimum subsistence level. Uneven economic growth has in turn contributed to the regionalisation of poverty and to increased deprivation among certain segments of the population, particularly in rural areas.

The basic reasons for increased poverty are low incomes and levels of social protection, as well as unemployment and poor health. Children and low-income families as well as the elderly are the most vulnerable groups in this respect. Poverty also contributes to the deterioration of the health of the most vulnerable population groups, in particular former prisoners. There has been a noticeable increase of TB and multi-resistant TB epidemics over the past decade with incidence and mortality rates 8 to 10 times higher than in the EU. The spread of HIV/ AIDS among the civilian population is also a serious concern with an estimated 1 million cases in Russia.

There is an urgent need for enhanced investment in Russia's social infrastructures as well as for the development of a modern social policy. Among the main priorities is the improvement of living standards, the reduction of poverty and income disparities, and better targeting of social resources to meet the needs of identified vulnerable groups. The reform of social assistance involves a comprehensive restructuring of the social protection system from the former system of universal social benefits system to targeted assistance to the poorest population groups, and re-allocation of social resources to regions suffering from deep economic depression.

Improving the targeting and performance of this social welfare system will enhance the Government's capacity to reduce levels of poverty and address the needs of various social risk groups. Sustainability impact assessments (SIAs) referred to under section 2.1 should help to anticipate the potential adverse effects (on social and labour conditions) of Russia's integration into the international economy and help the Russian Government in the implementation of its targeted social assistance reform. The EU has an interest and a capacity to contribute to the solution of these problems as an accompaniment to the consolidation of a market economy and democracy.

3.1.2. Objective

- Continued implementation of the Russian social protection and health reform.

3.1.3. Orientations for programme development

- To enhance RF Government's capacity to reduce the level of poverty and address the needs of identified vulnerable groups;
- To provide strategic support for the reform of the pension system.
- To support the development of a comprehensive response to the HIV/AIDS epidemic and a long-term strategy for public health in the area of communicable diseases;
- To establish EU-Russian partnerships to restructure health care services addressing social diseases, e.g. HIV/AIDS, TB, drug addiction, alcoholism.

3.1.4. Expected Results

- Improved delivery of integrated health and social services to identified vulnerable groups;
- A more effective and publicly accountable pension system;
- A national strategy to combat HIV/AIDS and other communicable diseases.

3.1.5. Indicators

- Proportion of social assistance targeted at to the poorest population groups;
- Adopted legislation for the second phase of Pension Reform and established publicly accountable supervisory mechanisms;
- Decrease in overall incidence and mortality rates for HIV/AIDS and other communicable diseases.

3.1.6. Assumptions

- The Russian Government remains committed to the better targeting of social assistance and delivery of social services to the most vulnerable social groups;
- Co-ordination with the World Health Organisation (WHO), other donors (in particular the World Bank), NGOs and all relevant bodies active in the health sector.

- The Government is committed to fighting HIV/AIDS and other communicable diseases and provides the necessary financial resources to this end.

3.1.7. Indicative budget

€ 25 million

3.2. LABOUR POLICY AND SOCIAL DIALOGUE

3.2.1. Background and justification

The current process of enterprise re-structuring together with the drop in industrial production demands that governmental structures dealing with employment issues direct their efforts towards promoting active labour market policies. A key concern is for people released from re-structured enterprises in regions of industrial decline, as well as for more traditional unemployed groups such as women, young people, older workers and those with little or no professional qualifications. Rising unemployment is a serious concern, particularly in rural areas and regions affected by industrial decline. Consequently, there is a need for the development of new approaches to improve the functioning of the labour market and for action to reduce the gap between the supply and demand for skilled labour.

The development of a modern and effective labour market is a necessary condition for the attraction of further investment to Russian industry, and a useful flanking measure for the establishment of a future Common European Economic Space.

Furthermore, the promotion of social dialogue and the development of collective labour relations are equally important conditions for future inward investment. In the context of the implementation of the new Labour Code, it is important to promote further social dialogue along European lines and to secure its implementation as part of State policy.

3.2.2. Objectives

- To fight against rising unemployment and to reduce the gap between the supply and demand for skilled labour
- To promote further social dialogue

3.2.3. Orientations for programme development

- To improve labour legislation to bring it in line with international standards, e.g. those set out in the International Labour Organisation's (ILO) 1998 Declaration on Fundamental Rights at Work.
- To continue support to the implementation of legislation governing health and safety at work in co-operation with the social partners and the major sectors of industry.
- To continue support to the implementation of active labour market policies, promoting actions to reduce the gap between the supply and demand for skilled labour, particularly in rural areas and in areas affected by industrial decline. For this active policy to contribute effectively to the transformation of the labour force, it is essential to monitor the implementation of the new framework, the targeting and impact of measures (training, reduction of tax-wedge in order to increase

incentives for job creation, promotion of active job search through a better linkage between benefit systems and active support etc.).

- To further promote social dialogue between employers and employees including the development of mechanisms for the out-of-court settlement of labour disputes.

3.2.4. Expected results

- A legislative and regulatory framework guaranteeing fundamental rights at work;
- A higher level of employment;
- Improved social dialogue.

3.2.5. Indicators

- Compliance of Russian labour legislation with ILO standards ;
- Agreement of social partners on the implementation of updated legislative acts ;
- Number of unemployed people positively affected by the newly developed methods and tools to promote active labour market policies

3.2.6. Assumptions

- The Russian Government, the key Ministries and the relevant stakeholders remain committed to reach the objective as established in the Medium and Long Term strategies of social development labour policy;
- The relevant Russian counterparts remain committed to further implementing the approaches developed so far through EU technical assistance in the areas of employment policy, labour legislation, labour arbitration, and social partnership;

3.2.7. Indicative budget

€ 20 million

3.3. EDUCATION

3.3.1. Background and justification

Education, training and human resource development continue to be a major priority for the Russian Government. The current education policy includes providing greater access to the system, raising education quality, improving the content of education and its overall efficiency and effectiveness of delivery.

The lack of employment opportunities in the formal sector, the attraction of young people to the informal sector at an early age, and the gaps between labour market demands and the skills and qualifications provided by the educational and training system are a discouragement to large groups of young people to attend classes and training courses and brings with it the risk of early dropout and eventual social exclusion. Other

disadvantaged groups such as the disabled and migrants are likewise at high risk of further exclusion.

Continued support to the education sector is a key requirement for underpinning the long-term sustainability of economic growth and further transition to a market economy.

3.3.2. Objective

- Progress toward an education sector contributing to the long-term sustainability of economic growth and further transition to a market economy and democracy.

3.3.3. Orientations for programme development

- To modernise the structure, content and methodology of higher education as well as the structure and management of higher education institutions through the Tempus Programme⁷;
- To support the reform of general and vocational education and training (VET) in certain core areas and to enhance linkages between the education system and the needs of the labour market;
- To simplify accreditation procedures.

3.3.4. Expected results

- Upgraded curricula and teaching materials of higher education institutions, adapted to the requirements of the labour market;
- Modern structures and management of higher education institutions;
- Improved training and management methods in the Russian education system;
- Vocational education and training provisions (VET) responsive to employer's needs and requirements of the labour market;
- Simplified accreditation procedures

3.3.5. Assumptions

- Political support for the continuation of education reform in line with labour market needs and for a liberal framework for the development of civil society.

3.3.6. Indicators

- Number and share of higher education institutions involved in co-operation activities with EU partners;
- Number of new and number of updated curricula supported by new respectively updated teaching materials;

⁷ Council Decision of 29 April 1999, OJ L 120/30 of 8.5.1999

- Number of restructured and number of modernised higher education institutions;
- Number of students participating in exchanges each year;
- Time needed for accreditation procedures.

3.3.7. Indicative budget

€ 45 million (including € 30 million for the implementation of the Tempus programme)

3.4. MUNICIPAL SERVICES

3.4.1. Background and justification

Infrastructure development issues in Russia, especially in the field of municipal services, are currently a top Government priority. Municipal infrastructure is defined here as the engineering complex of public and private institutions, equipment, pipelines, networks and services, the effective functioning of which provides normal living conditions of people. More than 60% of municipal infrastructure is suffering from serious deterioration and about one quarter of fixed assets are beyond their designed lifetime. The number of breakdowns has grown during the last 10 years about five-fold. For instance, in 2002 there were 70 breakdowns per 100 km of water pipelines, and 200 accidents per 100 km of hot water supply pipelines. Total losses in the hot water supply pipelines are estimated at 30% of the total heating energy usage. Planned maintenance and repair works of the pipelines and equipment has effectively become driven by emergencies. (Source: Gosstroy of Russia). Thus, maintenance of this sector as a whole requires urgent and massive capital investment.

Improving the cost-efficiency of the service supplier and establishing clear and transparent mechanisms for tariff setting are other priorities for municipal services in charge of district heating, water supply, waste water and / waste collection and treatment.

Thus, the key issues are to develop efficient municipal services to all sections of the community, including poorest groups, using modern management methods to ensure that tariff policies, cost savings and efficiency of service provision are optimised.

3.4.2. Objective

- Progress toward an efficient, safe and accessible municipal services complex (i.e. heat, water supply, sewerage, civil transport, waste, and others).

3.4.3. Orientations for programme development:

- Assistance to policy, legal and regulatory aspects for planning and designing municipal infrastructural development programmes in co-operation with relevant IFIs active in this sector;
- To support the introduction of modern management methods and approaches for municipalities and to enhance the efficiency of municipal services, from the economic and resource use point of view;
- Development of concession mechanisms.

3.4.4. Expected results

- Loans by IFIs for rehabilitation of municipal infrastructures;
- Better access to water and sanitation;
- More efficient use of water and energy resources;
- Realistic tariff policy, and provision of personal subsidies, for municipal services;

3.4.5. Indicators

- Amount of IFI loans leveraged;
- Energy and water savings;
- Number of municipalities reached.

3.4.6. Assumptions

- Adequate income and social policies permitting families to support progressively the full costs of utilities services.

3.4.7. Indicative budget

€ 35 million

Special Programme for the Kaliningrad Oblast

BACKGROUND AND JUSTIFICATION

Although the Kaliningrad political agenda has been recently dominated by the question of transit between the enclave and mainland Russia, the core challenge for the region is to reverse its economic decline and to reduce, instead of widening, the welfare gap with its neighbours.

However, the region does not appear to have many comparative advantages with respect to its neighbours and suffers from inherent handicaps:

- an unfavourable geographical location, too far from the mainland Russia to serve as a convenient massive entry to the markets of the rest of Russia;
- limited natural resources except for amber and some crude oil;
- a limited local market which hampers economies of scale for local enterprises;
- dependence of the region on external power supply, as well as on imports of raw materials and food.

The present economic scheme of the region is centred on a set of specific support measures, which aim to compensate for these deficiencies:

- a free trade zone introduced in the Kaliningrad region as a statutory law on Special Economic Zone (SEZ);
- local energy prices far below the world level;
- local cargo tariffs subsidised from the local branch of the Ministry of Transports.

These support measures lead to serious shifts and distortions in the industrial structure of the region and provide strong incentives for specialising in import servicing and for acting as an import intermediary on a massive scale. Moreover, subsidised energy prices are blocking any energy saving measures. This economic concept provides no sound basis for long-term sustainable and stable growth, but encourages tax evasion and grey economy activities. Moreover, the observed level of grey economy includes a significant share of illegal activities. All these factors constitute fundamental faults in the investment potential of the region.

Requirements for Russia's accession to WTO and the expected evolution of the economic landscape after EU enlargement will question the sustainability of the SEZ system and force a decisive re-orientation on export industry development.

Reorientation of the Kaliningrad economy calls for drastic changes in order to revert current trends. Long term measures are necessary in order:

- to reform economic governance and improve the business climate in order to correct fundamental shortcomings in investment attractiveness;
- to develop human capital in the region, developing the intellectual component of the region and improving the state of health of local population;
- to upgrade existing infrastructures for cross-border transport by air and land in order to facilitate communications with both neighbouring countries and mainland Russia;
- to upgrade existing infrastructure within the water and wastewater sector;
- to help strengthening the competitiveness of regional enterprises;
- to promote cross-border activities with neighbouring countries, including cultural exchange and people-to-people contacts;
- to step up joint fight against organised crime with neighbouring states.

At the occasion of the tenth EU-RF summit on 11 November 2002, the parties agreed to implement a comprehensive package of measures in order to ensure easy passage of borders for legal purposes. In this context, the EU will continue to support technically and financially Russian efforts to promote the economic development of the Kaliningrad region and to strengthen cross-border co-operation along the borders of the enlarged EU with Russia.

For this purpose, and as a complement to the National Programme for Russia and to other relevant TACIS components (Cross-Border Co-operation, Co-operation in the Baltic Sea Regional Programme, Northern Dimension Environment Programme (NDEP)), an additional € 25 million is earmarked to support the economic and social development of Kaliningrad, in line with Russia's plans for the region.

General orientations for this special programme are given below. The subsequent action programmes are expected to support the Russian Federal Task Programme (FTP) for Kaliningrad, and to be developed in synergy with the programmes of other donors, in particular International Financing Organisations. This special programme focuses on administrative capacity building, health and education, and contributes to fostering co-operation across borders.

It should be stressed that a number of other issues, relevant for the Kaliningrad region but not explicitly mentioned in the special programme, are widely covered in other chapters of the National Indicative Programme and other TACIS components:

- development of transport infrastructures: the NIP chapter 2.4 foresees effective planning studies to help leveraging investment capital;
- energy use and energy efficiency: addressed in the NIP chapter 2.3 (Energy dialogue) and 3.4 (support for planning and designing municipal infrastructural development programmes in co-operation with relevant IFIs active in this sector);
- environment: the NDEP is the main vehicle for environmental investments in Kaliningrad and the TACIS Joint Environmental Programme helps preparing environmental investments with the IFIs in this context;

- support to trade facilitation measures with special reference to customs: addressed in the NIP chapter 2.1;
- fight against organised crime and money laundering: addressed in the NIP chapters 1.3 and 2.2;
- supporting the development of co-operation and policies to facilitate the region's transformation to the Information Society: addressed in the NIP chapter 2.3.

OBJECTIVES

- a. To develop the administrative capacity of the region, with particular emphasis on improvement of overall conditions for business development;
- b. To improve the quality of primary and preventive health care services;
- c. To promote the intellectual potential of the region;
- d. To induce a positive co-operation culture across the borders.

ORIENTATIONS FOR PROGRAMME DEVELOPMENT

a) Administrative capacity building

- Policy, legal and training support to the regional authorities to improve the institutional and legislative framework of the economic activity in the region, thus resulting in lowered administrative barriers for entrepreneurial activity, e.g. simplified registration and permission procedures, better regulation of bankruptcy, fiscal framework, etc;
- Support to the reform of regional financial system to improve regional budget transparency and help to develop the concept of relations between regional and central budgets. This reform constitutes a major priority for the RF Government, which is already supported through an IBRD loan;
- Support to the creation or improvement of business support services to companies and their access to information about the opportunities of the enlarged European market;
- Support in developing local competence in Information Technology and to the development of databases and associated software systems to facilitate cross-border and transit movements of people and goods. Special attention would be given to customs documentation and processes, electronic logistical systems, integration of multi-modal transport systems and documentation, traffic monitoring and so forth.

b) Health

- Support to healthcare in dealing with TB, HIV/AIDS and children's health. Provision of specific foreign medical equipment for diagnostic and treatment

purposes should be foreseen, as well as related training for operating the equipment effectively.

- Support to the introduction of General Practitioner (GP) based medicine and to assist in the restructuring of local preventative health care services to prevent the spread of drug addiction and communicable diseases such as TB, HIV/AIDS.

c) Education

- To establish a regional mechanism for the assessment of labour market needs and to develop active labour market policies.
- In the context of the resulting assessment of labour market needs, and linked to future economic development strategies in the region, to establish targeted training and re-training programmes for non-academic staff from public and private institutions who may play key roles in the transition process⁸.

d) Cross-border co-operation

- To promote integration at the regional and local levels through the TACIS Cross-Border Co-operation Small Project Facility, in synergy with the Phare CBC and Interreg programmes in Poland and Lithuania. The programme is expected to result in joint ventures across the border, involving regional and local authorities, the business community and non-governmental organisations⁹.

⁸ The TEMPUS “*Training Courses for Institution Building*” can be a relevant instrument to contribute to this task.

⁹ An allocation of € 5 million has been earmarked for TACIS CBC-SPF activities, as part of the Special Programme for Kaliningrad.

BUDGET ENVELOPPE

PRIORITY AREAS	Budget (€ millions)
1. Support for institutional, legal and administrative reform	122
<ul style="list-style-type: none"> • Administrative reform • Judicial reform • Fight against organised crime and terrorism • Migration issues • Support for the civil society 	30 32 20 20 20
2. Support to the private sector and assistance for economic development	120
<ul style="list-style-type: none"> • Support to the integration of Russia into the international economy • Reform of financial sector • Support to policy dialogue in specific domains • Support to infrastructure master planning 	45 30 30 15
3. Support for addressing the social consequences of transition	125
<ul style="list-style-type: none"> • Social and health sector reform • Labour policy and social dialogue • Education • Municipal services 	25 20 45 35
Special Programme for Kaliningrad Oblast	25
Total	392

**INDICATIVE ALLOCATIONS FOR THE SMALL PROJECTS PROGRAMMES CONTRIBUTING
TO THE ABOVE-REFERED PRIORITY AREAS**

<i>SMALL PROJECTS PROGRAMMES</i>	93
• Policy Advice Programme (PAP)	25
• Institution Building Partnership Programme (IBPP)	30
• Trans-European co-operation scheme for higher education (TEMPUS)	30
• Cross-Border Co-operation Programme, Small Projects Facility (CBC-SPF), as part of the Special Programme for Kaliningrad Oblast.	5
• Bistro programme	3

LIST OF ANNEXES

- Annex 1 Past and ongoing Tacis assistance in the same sectors (1998 to 2003)
- Annex 2 Tacis Funds allocated for Russia from National Actions Programmes from 2000 to 2003
- Annex 3 Member States' and other donors' co-operation with the Russian Federation
- Annex 4 Administrative reform process in Russia

ANNEX 1: PAST AND ONGOING TACIS ASSISTANCE IN THE SAME SECTORS (1998 to 2003)

1. SUPPORT FOR INSTITUTIONAL, LEGAL AND ADMINISTRATIVE REFORM

1.1. Administrative Reform

NAP 2001:

- “Administrative reform”: (4 M€) to rebuild and reform the country’s public administration and civil service

NAP 2002:

- “Administrative reform II”: (4 M€) oriented towards the development of a human resources policy and training programme for Russian civil servants

NAP 2003:

- “Public Sector Institutional Reform” (3 M€): to focus on the organisation and management of the Russian government structure.
- “Regional development strategies” (3 M€): to develop the Russian capacity for regional development policies formulation and implementation.

1.2. Judicial Reform

NAP 1998

- “Legal Protection of Economic Operators” (5.4 M€) (completed); to improve the implementation of the law in areas of economic activities in four selected regions and to improve its application and enforcement by Arbitration Courts; to improve access to the legal system through increased awareness of economic operators on legislative matters and of the legal system as protector of economic interests.

NAP 2001

- “Training of Judges and Court Administrators” (4 M€, in preparation) aimed at upgrading the skills of judges in general jurisdiction and arbitration courts.

NAP 2002

- “Assistance to the arbitration court system” (4 M€): to enhance the protection of economic operators (either local or foreign) and the legal security of minority shareholders
- “Training of bailiffs and other legal professionals” (3 M€): to improve the organisation and efficiency of the bailiffs institution by training on the execution of court decisions

NAP 2003 (planned)

- “Training of judges and court administrators II” (5 M€)
- “Raising public awareness of the Russian legal system” (3 M€)

1.3. Fight against organised crime and terrorism

NAP 1998

- “Law Enforcement Academy in Russia combating organised crime” (1 M€)

Organised crime was mentioned in the CSP as a “soft security threat”. No action was foreseen in this area in the NIP 2002-2003.

Regional AP 2001:

- “Combating Trafficking Women in the Russian Federation.”, to be implemented with a co-financing from the USA (total budget 2 M€, under preparation).
- “Combating organised crime in Kaliningrad” (1 M€)

1.4. Migration Issues

The aspects of migration policy and of protection of external and internal migrants have not been explicitly addressed in the recent programming documents.

The two following TACIS projects from the 1994 and 1995 National Programmes are relevant:

- “Development and Implementation of Migration Policy” (0.5 M€)
- “Migrants social protection and integration” (2 M€)

1.5. Support for Civil Society

Core 2000:

- “Promoting independent regional mass media in Russia” (2 M€), to recommend new and amended legislation protecting freedom, security and independence of media; to train journalists in objective reporting techniques and professional ethics.
- “Development of local democracy and self government in Russia (2 M€), to promote the rights and the participation of civil society in the local decision making process.
- “Legal Protection of Individual Rights” (2 M€), to assist NGOs defending individual rights at federal and regional levels and to strengthen their legal advice capacity.
- “Promoting tolerance and improving inter-ethnic relations” (2 M€), to develop mechanisms, at the level of civil society and public administration promoting ethnic accord, preventing and combating extremism and xenophobia.

NAP 2003 (planned):

- “Regional media support programme” (3 M€)

2. SUPPORT TO THE PRIVATE SECTOR AND ASSISTANCE FOR ECONOMIC DEVELOPMENT

2.1. Support to the Integration of Russia in the International Economy

IBPP 2000:

Support to the implementation of Government’s socio-economic programme of reforms and continuation of previous activities in the field of “Customs and Statistics”

NAP 2001:

- “WTO Membership” to promote the accession of Russia to the WTO and full implementation of the PCA” (2 M€)
- “Approximation of rules and standards” (4 M€) to address technical barriers to trade as precondition for further economic integration

NAP 2003 (planned):

- Approximation of statistical standards (2 M€): to provide reliable statistics to monitor the process of economic reform
- “WTO Membership II” (3 M€)
- “Approximation of regulatory and legislative frameworks for competition” (3 M€)

2.2. Reform of financial sector

NAP 1998:

- “Accounting reform” (2 M€)
- “Support Accounting reform – Banking sector” (3.5 M€)
- “Advisory services to the Russian Insurance Industry” (INAS) (2.5 M€)
- “Technical assistance to Federal Service Insolvency and Financial Rehabilitation (FSIFR)” (0.6 M€)
- “European Banking Advisory Services (EBAS) III” (3.25 M€)

NAPs 1996 to 2001:

- “Russian European Centre for Economic Policy” (RECEP) (2 M€ a year, 6 M€ for NAP 2001). The Centre gives economic and social policy advice to key policy making actors. Emphasis on long-term sustainability of the Centre and on its role in the implementation of PCA. Emphasis on support to the new socio-economic programme of reforms to offer the Russian government assistance with broad economic analysis as a necessary background for legislative proposals.

NAP 1999:

The NAP 1999 indicates the restructuring of the financing sector as a key priority. It also stresses the need for the introduction of international accounting and auditing standards to improve business and investment climate.

- “Reform of Auditing” (2 M€): assistance in the development and implementation of new auditing standards.

Regional AP 1999

“Measures against Money Laundering” (2.5 M€, in preparation) (includes Russia, Ukraine and Moldova)

NAP 2000:

- “Central Bank training III” (3.5 M€) with a focus on training of trainers and top-level management.
- “Insurance Advisory Services (INAS) II” (3 M€): advice on the removal of the legal obstacles to PCA implementation and to WTO accession.
- “Accounting reform II” (3 M€): to further develop new IAS-compliant accounting standards
- “Insolvency II” (3 M€): dealing mainly with training issues

NAP 2001:

- “Bank supervision and accounting”: (3.5 M€) to increase the transparency of bank’s activity and streamline reporting of commercial banks.
- “Corporate Governance Facility” (2 M€) to assist in elaboration of a new legislation on corporate governance and support selected companies in introduction of corporate governance rules.
- “Deregulation of the economy and removal of administrative barriers” (3 M€), to support MEDT in design and implementation of laws devoted to deregulation of the economy and the simplification and streamlining of administrative procedures related to business development.

NAP 2002:

- “Reform of Auditing II” (2 M€) to contribute to increase of credibility of audit statements through enhancing professional skills of practitioners and institutional strengthening of the regulatory bodies.

NAP 2003 (planned):

- “Implementation of the accounting reform” (3.5 M€)

2.3. Support to Policy Dialogue in Specific Domains

ENERGY:

NAP 1998:

- “Moscow City Heat and Waste Services” (2.8 M€): to establish effective service utilities in district heating and in domestic waste management.
- “Local Small Energy Resources” (3.5 M€): to enable energy companies to compete in the energy market by making the investments necessary to ensure efficient energy production
- “Support to Regional Energy Organisations” (1.7 M€) to enable local authorities to draw up energy plans and identify a hierarchy of projects to resolve problems of energy security

NAP 1999:

concentrates upon development of legal and regulatory framework, e.g. implementation of Production Sharing Agreements (PSA) legislation, and on energy savings.

- “Resource and environment protection in Timano-Pechora areas” (2 M€);
- “Electricity Wholesale Market” (2 M€): rationalisation of federal wholesale electricity and power market (on-going)

NAP 2002:

- “Harmonisation of long-term EU-Russia Energy Dialogue, energy policy” (4 M€) addressing the following four interrelated aspects: the overall strategic issues, the conditions for attracting investments, the energy market reforms and the security of transport infrastructure.

NAP 2003 (planned)

- “Harmonisation of technical standards in the gas sector (Energy dialogue)”(3 M€)
- “Regional pilot projects on energy efficiency and energy saving in Arkhangelsk, Astrakhan and Kaliningrad (Energy dialogue)” (3 M€)

TRANSPORT:

NAP 1998:

- “Nizhny Novgorod Regional Transport Development” (2 M€) to support the extension of corridor 2
- “Legal Framework for Surface Transport” (2 M€)
- “Russian Seaports Marine Safety” (2.2M€)
- “Training in Inter-modal Operations” (1.7 M€)

NAP 1999:

- “Railways Management Information System” (2 M€) to help the railways to plan, control and regulate their operations on the basis of European standards and models.
- “Harmonisation of road standards” (2.5 M€) which corresponds to the objective of developing the regulatory framework to promote trade between the EU and Russia.
- “N-W Russian road management” (2 M€ from Baltic AP 1999)
- “European Russian Aviation Centre (ERAC) II” (1 M€): fostering industrial and R&D co-operation between the aeronautical industries of the EU and Russia.
- “Kaliningrad Port Development” (1 M€)

AEROSPACE, TELECOMMUNICATIONS:

NAP 1998:

- “Harmonisation of Standards in Space Communication” (3 M€)

NAP 1999:

- “Global Navigation Satellite System (GNSS) (2 M€): to develop a unified standardisation and certification system of appropriate components and equipment.

ENVIRONMENT:

NAP 1998:

- “Water Management System” (2.4 M€): assistance to the Ministry of Natural Resources
- “Industrial & Environmental Safety” (3 M€) to assist the Ministry for Emergencies in improving industrial accident prevention
- “Chemical Weapons Environmental Conversion” (4 M€) to include an environmental protection element in the conversion of the chemical weapon industry

NAP 1999:

- “Waste management” (2.5 M€): continued institutional support to the State Committee for Environmental Protection (SCEP) and to regional authorities,
- “Environment monitoring system” (2.5 M€),
- “Chemical Weapons III” (3 M€) (in preparation)

NAP 2000:

- “Harmonisation of environmental standards” (2 M€) to support the State Duma in its efforts to align Russia’s environmental legislation with EU environmental *acquis*.

Baltic 2000:

- “Waste management in Kaliningrad” (2 M€);
- “Environmental management Lake Chudskoe” (2 M€)

NAP 2002:

- “Institutional support to Kyoto Protocol Implementation” (2 M€) to prepare the conditions for implementation of the Kyoto protocol and support the creation of a mechanism for operating a market for Green House Gas emission quota.

3. SUPPORT FOR ADDRESSING THE SOCIAL CONSEQUENCES OF TRANSITION

3.1. Social and Health sector Reform

NAP 1998:

- “Reform of health care financing” (2.5 M€), which supports the Ministry of Health in developing a system of health care financing, as well as accounting and auditing of the real costs.

NAP 1999:

- “Partnership in health and social assistance” (2 M€): development of a collaborative approach to the delivery of health and social services to specific vulnerable groups.
- “North West health replication project” (2 M€) to consolidate and replicate in N-W Russia the results achieved by previous TACIS projects having supported health care and related social reforms at the federal and regional levels, in particular in the Rep. of Karelia.

In the SPP 1999, projects in the social sector are complemented by LIEN (“Link Inter-European NGOs”) which is aimed at strengthening NGOs working in the social sector with and for disadvantaged groups of the population

Core 2000:

- “Promoting democracy through social NGOs” (2 M€), to build institutional capacity for development of partnership structures between public institutions and NGOs; to develop social welfare policies and practices for specific target groups.

NAP 2000:

- “Primary health care development” (3 M€) to support the implementation of general practices within existing pilot medical facilities.
- “Preventive health education” (3 M€): development of teaching methodologies and health promotion campaigns.

NAP 2001:

- “Social Protection Reform” (3 M€) to develop methodologies for the effective targeting of social assistance and to raise the quality of social protection.
- “Developing Social Services for Vulnerable Groups II” (4 M€) to develop cost effective models of social care for these identified groups, focusing on integrated approaches to health and social welfare service delivery.

Baltic 2001:

- “Regional health” (2.5 M€)

The IBPP 2001 supports further development of twinning and partnership arrangements between EU and Russian cities and municipalities, working in areas of social interest.

NAP 2002:

- “Pension reform” (4 M€): to implement a comprehensive funded pension system guaranteeing reliability, transparency and public accountability.
- “HIV/AIDS Prevention and Combating, Phase I” (2.5 M€) to support the development of a comprehensive public awareness and information campaign for the prevention of HIV/AIDS epidemic in Russia.
- “Children and youth at risk” (2 M€): to develop educational programmes for the social adaptation and re-integration of children and young people at risk or suffering from social exclusion.

NAP 2003 (planned)

- “Prevention of HIV/AIDS epidemic in Russia II” (4 M€)
- “Social protection for vulnerable groups III” (4 M€)
- “Social integration of disabled in Privolzhsky Federal Okrug” (3 M€)

3.2. Labour Policy and Social Dialogue

NAP 1999:

- “Federal and regional labour markets” (3 M€) to support the development and implementation of labour market policies: strengthening of federal policy but focus on support to regional administrations and employment services in implementing a range of pilot actions;

NAP 2001:

- “Labour legislation and Arbitration” (3 M€) to continue promoting tri-partite social dialogue on the basis of the results of the project “Social Partnership and Labour relations” and to develop viable mechanisms for per-court labour arbitration procedures at federal and regional levels.

NAP 2003 (planned)

- “Approximation of health and safety at work legislation” (2 M€)

3.3. Education

“TEMPUS” aims at modernising the structure and management of higher education institutions to support the reform and restructuring of the Russian higher education system and its adaptation to the new socio-economic needs, with a particular focus on the regions.

NAP 1998:

- “Innovative centres and Scientific cities” (3 M€)

NAP 2001:

- “Developing Educational Links and Professional and Higher Education Initiatives (DELPHI) II” (5 M€): to improve the quality of education and training systems – use of results of DELPHI I (NAP 1997, 6 M€) to change the policy in the field of education at federal level.

3.4. Municipal services

NAP 1999:

- “Management of public services” (2 M€), to assist selected municipalities to develop an integrated package of measures to strengthen the regulatory framework for services deliveries, upgrading the management of utilities, upgrading infrastructures, devise methodologies for tariff setting and targeting of subsidies.

CBC 2002

- “Small waste water investments in Kaliningrad” (1 M€)

NAP 2002

“Construction of the Sludge Incineration Plant (SIP) at the Southwest Wastewater Treatment Plant (SWTP) in St. Petersburg” (24 M€)

NAP 2003 (planned)

- “Support to utilities reform: Rehabilitation and development of the housing sector” (2 M€)
- “Utilities Reform Support Programme (UTISP)” (8 M€)

ANNEX 2

**TACIS Funds allocated for Russia
from National Actions Programmes 2000 to 2003
(including Small Projects Programmes)**

(€ million)	2000	2001	2002	2003 (planned)	Total
Support for institutional, legal and administrative reform	28,0	28,0	17,0	24,0	97,0
Support to the private sector and assistance for economic development	12,0	19,0	14,0	15,5	60,5
Support in addressing the social consequences of transition	6,0	13,0	32,5	24,0	75,5
Policy Advice Programme	4,0	5,0	3,0	2,0	14,0
Institutional Building Partnership Programme	13,0	3,0	9,0	11,5	36,5
Small and Medium Enterprise Facility	4,0	0,0	0,0	0,0	4,0
Municipal and Environmental Investment Support	3,0	3,0	0,0	0,0	6,0
Managers' Training Programme	5,0	3,0	3,0	4,0	15,0
Higher Education Programme	10,0	10,0	10,0	11,0	41,0
Bistro	6,0	3,0	0,0	2,0	11,0
Local support offices	1,0	3,0	0,0	0,0	4,0
Reserve	0,0	0,0	1,5	0,0	1,5
Total NAP Russia	92,0	90,0	90,0	94,0	366,0

ANNEX 3: MEMBER STATES' AND OTHER DONORS' CO-OPERATION WITH THE RUSSIAN FEDERATION

1. MEMBER STATES

1.1. Germany¹

The TRANSFORM programme is part of the German Federal Government's effort to support democratisation and transition to a market economy in Russia. Over the period 1993 to 2001, more than 300 projects have been implemented in Russia, amounting to some € 190 million. Following the tight budget situation in Germany 2002, only € 10 million have been allocated.

The German Federal Government is also contributing 25% of the funds of the Tacis programme. In addition, some Federal regions (Länder) also have their own co-operation programmes with Russia and are providing their own financial resources. Main focus of TRANSFORM technical assistance (TA) projects is on:

- Advice to the RF Government and State Duma on civil and commercial law, banking law and the land code to support the transition to a socially oriented market economy. It also includes training of managers to promote their active participation in reforms. A new area is TA in WTO accession procedures.
- Building up a private sector; advice in building up SMEs; privatisation and restructuring.
- The financial sector – building up and expanding market-oriented stock exchanges and banking structures
- Training for skilled personnel and managers in business and administration
- The agricultural sector – advice on restructuring large agricultural enterprises.

One third of the TRANSFORM funds are directed towards the federal level. TA projects are concentrated in the European part of Russia, as well as in regions that have a significant potential for co-operation with German firms and enterprises.

1.2. Denmark²

Danish TA programmes in Russia have been implemented since 1991 under the co-ordination of the Ministry of Foreign Affairs. Denmark has also provided humanitarian assistance to Chechnya.

¹ Source: Embassy of the Federal Republic of Germany: "Summary outline of the 2002 Technical Co-operation Programme TRANSFORM"

² Source: Tacis Support to the NCU "Report on Donors' Co-ordination in Russia" (July 2002)

Since 1991, projects have been implemented in the areas of energy, environmental management, social and human rights development, and the total amount of funds allocated in 1991-2000 was approximately DK 1.33 billion. Grant aid has also been provided through the democracy and environmental support funds to support over 130 projects. The two priority areas for the Danish TA programme are environmental protection and energy, which take up to 50% of resources.

In 1998 a Danish Environmental Soft Loan Programme was established in order to promote investments in environmental projects in Eastern Europe by means of long-term subsidised credits (soft loans). This programme is aimed at projects within the following areas: renewable energy, waste water treatment and drinking water supply, waste management and treatment, air purification and district heating.

Danish technical assistance is concentrated in the Northwest of Russia, mostly in St.-Petersburg, Kaliningrad, Novgorod and Pskov regions.

1.3. Finland²

Finland's co-operation with Russia aims to support the process of political and economic reform in Russia, which includes promoting democracy and the rule of law, and supporting the transition to a market economy. Another important goal is to influence the reduction of the risk of environmental pollution and nuclear accidents.

In 1990-2000 the cumulated Finnish aid to Russia amounted to over € 137 million. The annual budget for the Finnish Co-operation programme with Russia is about € 15 million. Currently 191 projects are being implemented in Russia. Humanitarian assistance has also been provided to Chechnya, Karelia and Murmansk.

The main geographic areas for co-operation, Murmansk region, Karelia, St.-Petersburg and Region, share the same priority sectors: environmental protection; transport and communications; social welfare and healthcare; trade and industry; regional and local administration. Leningrad and Murmansk regions also have nuclear safety programmes, and both plus Karelia agriculture and forestry projects.

In 2000, the biggest part of Finnish grant aid to Russia was allocated for environmental protection and related co-operation (30%), which was followed by agriculture and forestry (14%), social protection and health (12%), nuclear safety (14%), economic co-operation and investments (11%). Between 1990 and 2000, environmental protection received 25% of the total aid, while 12% were provided for other needs including the support to NGOs.

1.4. France³

Co-operation between France and Russia covers the following fields:

- technical assistance (organisation of the authorities, legal and judicial reform, education, co-operation in specialised sectors);

³ Source: Web site of the French Embassy in Moscow

- scientific and academic co-operation (scientific exchanges between laboratories, training in exact sciences, information on French and European research financing);
- cultural co-operation (organisation of cultural events, artistic co-productions, training in French language, support to the export of French audio-visual programmes).

Technical assistance aims at constituting a State of right and reinforcing socio-economic reforms. It follows two main lines of intervention:

- towards the central government structures (training of senior officials, support to the modernisation of the public service and organisation of the governmental work);
- towards the local communities.

Legal and judicial co-operation involves all the actors of the Russian reform (e.g. Ministry of Justice, Presidential Administration, Supreme Court, and Supreme Arbitration Court). At regional level, this action is relayed by twinning between French and Russian jurisdictions. Re-training of judges is jointly implemented by the Legal Academy of Russia and the French *École nationale de la magistrature*.

Co-operation on education covers ten training schemes in partnership between French and Russian institutions. It also supports the reform of curricula and supports the mobility of students.

Engineering know-how transfer covers specialised fields such as nuclear power, water (laboratory of quality control), agriculture (certification of the seeds), transport (legal assistance with the installation of road tolls), and health (hospital management, fight against infectious diseases and drugs certification).

1.5. Italy²

The Office of Italian Co-operation in Moscow was opened in May 1999. On the basis of a bilateral agreement between the Government of Italy and the Government of Russia a number of projects in the health and social sectors have been started.

The programme is co-ordinated and supervised by the Italian Ministry of Foreign Affairs. Since 1999, the Italian Government has provided € 2.5 million to support the ongoing projects, and € 3 million have been provided in kind as medicines and medical equipment from various Italian regions. The priority area is maternal and infant health care. Emergency aid has also been provided to Chechnya and Ingushetiya.

The programme is being implemented in close co-operation with the Russian ministries of health and labour and social development in various regions of Russia and in Moscow.

1.6. The Netherlands⁴

Since the early nineties, the Dutch Government has pursued a policy of support for Central and Eastern Europe aimed at supporting the countries in the region in their transition to pluralist constitutional states and market-oriented economies. The programmes cover 15 countries, including Russia. The funds form a cluster, split into three components:

- The social Transformation Programme (Matra) run by the Ministry of Foreign Affairs;
- The exclusively economic Eastern European Co-operation Programme (PSO) programme;
- Annual contribution to the EBRD.

The priority themes of the Matra programme are: legislation, human rights and minorities, good governance, strengthening civil society, the environment, public health and health care, labour relations, public information strategies, education (management and curriculum development), culture, and public housing.

Matra's most important instrument is twinning between local and Dutch NGOs. In addition to the input from the NGOs, projects are also submitted by Dutch municipalities and provinces based on their twinning arrangements with towns and provinces, or by consultancy firms.

Over the years, the Matra's programme has grown from a budget of €11 million in 1994 to € 50 million (projected) in 2003. The Russian share in the Matra programme is 10%, the largest sectors being democratic development, environmental protection and civil society.

1.7. Sweden⁵

Swedish development co-operation with Russia gives priority to support for reforms and to Russia's integration in Europe. Baltic Sea co-operation and Barents co-operation are important links between the EU and Russia. Swedish-Russian development co-operation mainly focuses on Northwest Russia: the cities of St Petersburg, Archangelsk, Murmansk, Pskov, Novgorod and Kaliningrad and their surrounding regions, and the Karelian Republic.

Funds for development co-operation with Russia are channelled through SIDA (Swedish International Development Co-operation Agency), the Swedish Institute and the Ministry for Foreign Affairs.

SIDA's development co-operation is based on strengthening local capacity through the transfer of Swedish know-how and experience, which the Russian partner in co-operation adapts to its own needs. Total Swedish disbursements in 2001 for development co-

⁴ Source: Ministry of Foreign Affairs of the Netherlands, Web site

⁵ Sources: Ministry of Foreign Affairs of Sweden, "Country Strategy for Development Co-operation with Russia 2002-2004"; (Web site of the Swedish International Development Agency (SIDA)).

operation with Russia amounted to SEK 300 million. The Swedish contributions are co-ordinated to a great extent with the projects of the World Bank, of the EBRD and Tacis.

The Swedish government's country strategy for development co-operation with Russia 2002-2004 identifies six directions of co-operation:

- common security;
- deepening of democracy (Judicial collaboration, local and regional self-governance, mass-media, training for politicians, NGOs, exchange and collaboration in the fields of culture and public life);
- economic re-conversion (assistance to economic development, administration);
- social protection of the population;
- environment protection;
- education and science (higher education and scientific work, education for adults, school exchanges, Swedish language).

1.8. UK - Department for International Development (DfID)⁶

The Department for International Development (DFID) is the UK government department responsible for promoting development and the reduction of poverty. The central focus of the government's policy is a commitment to the internationally agreed target⁷ to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DfID's top priority is to support federal policy development and implementation, to be complemented by developing close partnerships with two oblasts to implement oblast-level economic and social strategies which benefit the poor.

Areas of co-operation listed in the DfID's CSP for 2001-2005 include the following:

- More effective Russian participation in global institutions ;
- Enhanced capacity of state institutions to implement reforms which benefit poor people transparently, effectively and accountably;
- Effective, coherent social policy in place;
- Improved access of ordinary people to livelihood opportunities;
- More responsive and transparent political systems, wider access to justice and adherence to human rights.

⁶ Source: DfID "Country Strategy Paper 2001-2005"

⁷ Millennium Development Goals (MDG)

DfID's direct assistance to Russia is £ 26.7 million a year plus contributions to humanitarian operations in the North Caucasus. The programme consists of strategic technical co-operation, not financial assistance. Over 70 projects are being implemented in Russia. DfID also contributes to 19% to the Tacis Programme.

2. THIRD COUNTRIES

2.1. Canadian International Development Agency (CIDA)⁸

The goal of CIDA's work in Russia is to support the establishment of a stable, prosperous and democratic Russia with a well-developed market economy and efficient, responsive government institutions.

CIDA's programmes bring together the efforts of Canadian partners (non-governmental organisations, universities, other government departments, and the private sector) to promote economic development, efficient public sector management and increased trade links with Canada. The programme focuses on the three following objectives:

- To Assist Russia's Transition to a Market-Based Economy (Enabling Environment, Supporting environment for business, Corporate governance) ;
- To Encourage Democratic Development (Core Democratic Institutions, Civil Society, Public Administration/Good Governance);
- To Facilitate Canadian Trade and Investment Links.

The annual budget of CIDA's Russia programme is approximately CAD 20 million. In most cases, funding is provided by CIDA on a cost-sharing basis, with the Canadian and Russian partners expected to make a financial and/or in-kind contribution.

2.2. Norway²

The CEE/CIS Co-operation Programme was adopted by the Norwegian Parliament in 1992. The work is being headed by the Ministry of Foreign Affairs in Co-operation with other ministries. The main objective of the programme is to contribute to the transformation to democratic rule and a sustainable market-oriented economy. In 2000 approximately US\$ 50 million were allocated for projects in Russia.

The most resource-intensive area is environmental protection, which also includes nuclear safety and energy efficiency. Projects cover competence building, pollution prevention, protection of the marine environment in the Barents and Kara Seas, biodiversity, prevention of radioactive contamination, protection of the cultural heritage. Technical assistance in democratic development is provided in the following areas: media, political parties, NGOs, human rights, employers' and employees' organisations, gender equality (this being an important component in all TA projects). Other priority areas include economic co-operation and infrastructure, education and research (exchanges, networking).

⁸ Source: CIDA's Web site

Significant resources are also provided for the Barents Co-operation Programme of whom Russia is a member. Part of this programme consists of initiatives aimed at improving health services and controlling communicable diseases in the region.

Norwegian assistance has been focussed on the Northwest of Russia including Murmansk, Arkhangelsk, Pskov, Leningrad regions, Karelia, and Kaliningrad.

2.3. Switzerland²

Two federal offices are responsible for the implementation of development aid: the Swiss Agency for Development and Co-operation (part of the Federal Department of Foreign Affairs) and the State Secretariat for Economic Affairs (part of the Federal Department of Economy).

The programme was initiated in 1993, and the Co-ordination Office was opened in Moscow in 1997. The annual budget for technical Co-operation projects in Russia averages SF 6 million, and SF 5-7 million are provided for humanitarian assistance and disaster relief in the Northern Caucasus (Ingushetiya, Northern Ossetia). Currently some 30 TA projects are being implemented in Russia. Of the total TA budget approximately 50% is used for projects supporting the transition to a market economy, 25% for environmental management and 25% for democratic development.

Target areas addressed also include corporate governance, voluntary sector (capacity building for NGOs), human rights, SME development (training of entrepreneurs), media (promotion of independent media through financial support).

Most TA projects are being implemented in the European part of Russia.

2.4. United States Agency for International Development (USAID)⁹

Since 1992, the US Government has allocated US\$ 10.8 billion in grant assistance to Russia in the areas of nuclear reactor safety, humanitarian assistance, economic reform and democratic reform. During the same period, USAID has implemented over US\$ 2 billion of US Government technical assistance to Russia. USAID helped Russia to develop democratic institutions and transform its state-controlled economy to one based on market principles. USAID has been active in the areas of privatisation, and private sector development, agriculture, energy, housing reform, health, environmental protection, economic restructuring, independent media, and the rule of law. Following drastic budget reductions, assistance has been phased out in a number of sectors. USAID Co-operation USAID/Russia programmes encompasses the following:

- Free-Market mechanisms
 - SME sector strengthened and expanded;
 - Market-oriented reforms developed and implemented in selected sectors;
 - Environmental resources managed more effectively to support economic growth

⁹ Sources: “USAID/Russia Strategy Amendment (1999-2005)” and Web site of the US Department of State

- The US-Russia Investment Fund
- Democratic Institutions and Norms
 - A more open, participatory society,
 - Legal systems strengthened,
 - Local governance made more responsible and accountable
- Health and Child Welfare
 - Use of improved health and child welfare practices

USAID's assistance resources focus on selected regions in the Russian Far East, the Volga federal district and Southern Russia. A limited amount of assistance is targeted at promoting reforms at the national level, particularly with regard to tax administration and Russia's efforts to accede the WTO.

3. OTHER DONORS

3.1. European Bank for Reconstruction and Development (EBRD)¹⁰

Since the start of operations in Russia in 1991 through June 2002, the Bank's Board of Directors has approved EBRD financing of € 4.5 billion for investments, and a total project value of € 12.7 billion, approximately 22 per cent of total Board approvals during this period. Russia has the largest share of cumulative commitments signed by the Bank (20.4 per cent), € 4.0 billion of which € 2.8 billion have been disbursed.

The EBRD's strategy for the Russian Federation, approved in October 2002 is largely congruent with the Russian Government's Medium-term Programme for Social and Economic Development for Sustainable Growth (2002-2004). The EBRD will continue to co-operate with the government of the Russian Federation in the areas of transport, communications, energy and municipal infrastructure. It will also maintain its role in the reform of the private sector, the provision of credit to Russian enterprises, financial sector reform and development of the knowledge-based economy.

Four areas have been identified as being essential to progress towards a sustainable growth and development in Russia:

- Diversification of the economy, in terms of both sectors and ownership;
- Measures to enhance trust, build confidence and improve the investment climate;
- Reform of the infrastructure sectors;
- Integration into the world economy.

The main objectives of EBRD's strategy to respond to these challenges are:

¹⁰ Source: EBRD's Strategy for the Russian Federation (October 2002)

- Fostering regional investment;
- Promoting restructuring in infrastructure;
- Encouraging restructuring and attracting strategic investors in the corporate sector
- Strengthening small business development and expanding regional coverage;
- Enhancing competition and supporting financial sector reform.

Given this strategy, the EBRD expects a significant increase of Russian projects in its overall portfolio.

3.2. International Monetary Fund (IMF)¹¹

During the period 1996-1999, the IMF approved a total of € 19.1 billion in assistance to the RF, out of which € 10.9 billion were actually disbursed, including a € 3.1 billion EU's contribution¹². The Fund has not made any disbursement to the RF since mid-1999.

3.3. World Bank¹³

Since the Russian Federation joined the World Bank in 1992, the Bank has approved more than US\$ 12 billion in loans for 53 operations. As of today, 33 of these operations are under implementation and, due to some cancellations, total commitments more than US\$ 10 billion. Cumulative disbursements to the Russian Federation as of July 1, 2002, amounted to US\$ 7.74 billion (US\$ 2.75 billion for investment loans and US\$ 4.95 billion for adjustment loans.)

The World Bank Group's strategy in Russia proposed for financial years 2003-2005 is to support the effective implementation of the Government's comprehensive reform programme, to help mitigate the underlying risks to the sustainability of growth and to extend the opportunities arising from the reform process more widely across the rich diversity of Russia's population. Its Country Assistance Strategy (CAS) is organised around three central themes.

- Improving the business environment and enhancing competition
 - Removing administrative barriers to business activity;
 - Restructuring priority sectors: infrastructure monopolies and agriculture;
 - Enhancing the protection of property rights, contract enforcement and corporate governance;
 - Enterprise Support;

¹¹ Source: Web site of the Council of the EU

¹² The original amounts are expressed in “Special Drawing Rights” (SDR)

¹³ Source: World Bank's Country Assistance Strategy (May 2002)

- Improving financial intermediation;
- Strengthen Russia's role in the global knowledge economy.
- Improving public sector management
 - Strengthening and modernising civil service, public administration and judicial systems;
 - Improving public finances.
- Mitigating social and environmental risks
 - Improving health care services and finance;
 - Improving educational services;
 - Mitigating income insecurity, vulnerability and minimising the risk of poverty;
 - Mitigating environmental risks and improving the environment.

These broad themes are consistent with the objectives of the Government's Medium Term Plan. The CAS envisages an International Bank for Reconstruction and Development (IBRD) programme of lending and guarantees of up to US\$ 600 million per fiscal year over the CAS period, supported by an extensive programme of analytical work in support of the reform agenda. This IBRD lending strategy will be carefully integrated with International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) interventions to ensure a strong and integrated focus on private sector development, particularly improving the overall business environment, the small and medium enterprise sector, and financial intermediation. In December 2001 the IFC's Russia portfolio totalled US\$ 247.9 million, US\$ 199.3 million of which had been disbursed.

3.4. Soros Foundation - Open Society Institute Russia¹⁴

The Soros Foundations are a network of foundations, programs and institutes established by financier George Soros to support the creation and development of open societies in the world, especially in the former communist countries of Central and Eastern Europe. National foundations operate at present in more than 30 countries. Each of the foundations has its own executive board and carries out its own programs. The Open Society Institute (OSI) initiates and supports programs of developing open societies and co-ordinates the work of the independent national foundations.

The Foundation has been working in Russia for 13 years, and since 1995 has been implementing its programs through the OSI. It is the largest private charity active in Russia, and to date it has provided over \$ 750 million for Russian projects.

Over the past several years, OSI–Russia has worked to strengthen its ties with other civil society organisations and continue its work in education, community development, public health, women's rights, media, culture, and regional co-operation. In 2001, OSI–Russia

¹⁴ Source: Web site of the Soros Foundation

united several programs into a new program bloc called the Social Contract. The goals of the Social Contract are to support emerging civil society groups; consolidate civil society networks; increase interaction among NGOs, the media, local governments, and the business community; and further strengthen the rule of law and good governance in Russia.

ANNEX 4: ADMINISTRATIVE REFORM PROCESS IN RUSSIA¹

1. STATE OF PLAY

Administrative reform was announced as being one of President Putin's key policy priorities in line with the Gref (Russia's Economic Development and Trade Minister) plan of 2000. Administrative reform is seen as a mechanism for reducing corruption and bureaucratic intervention in the economy, increasing transparency and public service accountability, and stimulating economic growth. Reform is expected to be wide-ranging, covering the civil service, public procurement procedures, and increased transparency regarding ministries' programmes, legislation under preparation and public tenders. More radical proposals advocate the transfer of administrative control functions (e.g. licensing, inspections) from government ministries to specialised independent agencies and the outsourcing of certain services to 'outsiders' on a competitive basis. Overall responsibility for administrative reform lies with the Government Commission (set up in August 2001) headed by PM Kasyanov. An inter-departmental working group under Deputy Head of the presidential administration Dmitry Medvedev is charged with implementation.

So far, the following first steps towards administrative reform have been taken:

- In August 2001, Putin approved a Concept of Russian Civil Service Reform, which envisages a clearer division of functions among government agencies, better planning, organisation and funding of operations, introduction of modern information technologies, removal of administrative barriers affecting the business sector and a new legal framework regulating the status and the work of different categories of civil servants.
- In November 2002, Putin issued a decree approving a more specific Federal Programme on Civil Service Reform for 2003-2005, which covers issues such as recruitment, ethics, training, evaluation and financial incentives.
- In line with the Federal Programme, a draft law on the civil service is currently being prepared with the aim of getting it through the Duma by the end of 2003. It aims to improve the professionalism and efficiency of the civil service, mainly through more rigorous and transparent recruitment procedures, a code of conduct and performance-related financial incentives. Putin has also spoken of the need to reduce the size of the civil service.

¹ Source : Delegation of the EC in Russia, 29 January 2003.

- A draft law introducing new rules for public procurement is expected to reach the Duma before the end of February.
- Another draft law under preparation concerns public access to information. New transparency guidelines are likely to cover certain draft laws (the proposal is to make them available on the Internet) in order to increase public participation in the legislative process. Increased information is to become available on public recruitment and public procurement tenders to reduce opportunities for corruption.

2. MAIN SHORTCOMINGS

The current draft law on the civil service is limited to the federal and regional (oblast) levels, excluding local government. According to information given by the government to the Delegation, the law is also likely to exclude the police force and other law-enforcement agencies. The Federal Programme refers to the training for civil servants and internal monitoring procedures, but the bill currently under preparation does not address these issues. The draft law does cover complaints and appeals procedures against the public administration. The introduction of administrative law and the creation of administrative courts are not, however, contemplated at this stage. The draft bill on access to public information has already run into considerable resistance from civil servants, who are particularly opposed to increased transparency surrounding public tenders and recruitment competitions. At this point, a public awareness-raising strategy does not form part of the overall administrative reform effort. Russian commentators have criticised the preparation of the reform for its lack of transparency. The most important criticism is that legislation currently under way does not cover the core problem, i.e. the definition of the functions of public administration and the abolition of unnecessary functions. This appears like a very large undertaking, likely to be postponed until after the presidential election of 2004.

3. PRIORITIES FOR FOREIGN ASSISTANCE

In accordance with the Federal Programme for Civil Service Reform a matrix has been developed to define areas of donor cooperation. The priorities for foreign technical assistance include legal and policy advice on the legal status of civil servants, human resource management and development, organisation of civil service and state bodies, as well as pilot studies for the implementation of civil service reform regulations. Ethics and transparency are currently high on the political agenda for legislative reform.

TACIS has recently launched two policy advice projects (in October 2002 and January 2003 respectively) on state budget reform and a third one on regional finance reform is expected to start in late 2003. TACIS has already offered policy advice on public procurement reform. It continues to provide advice regarding regulations for preventing conflicts of interest in the civil service, on public access to information. Finally, two projects due to start later in 2003 will cover the legal status of civil servants and training and human resource management in the civil service.