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Case study of Russia

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Outline

1.	Country Background	3
2.	Demand for Technical Co-operation in the Country	4
2.1.	Attitude of the Government and the Society towards Democracy and Market Economy	4
2.2.	Technical Capacity of the Country	5
3.	Supply of TA to the Country	5
3.1.	Dynamics of TA Flows.....	5
3.2.	Technical Co-operation by Donor and sector.....	8
4.	Impact of Technical Co-operation on Country Development.....	10
5.	Problems in Technical Co-operation and the Ways to Increase TA Effectiveness	11
6.	Bibliography	12

Tables

Table 1.	Approximate flows of technical assistance to Belarus, Russia and Ukraine, m USD	6
Table 1.	Dynamics of TA flows	7
Table 2.	The US governmental TA, by sector, m USD.....	8
Table 3.	EC assistance to Russia, (1991-2001 in euro m).....	9
Table 4.	EBRD TA to Russia by sector, m euro	9
Table 5.	The state with reforms in Russia: international comparisons	11

1. Country Background

The economic development of Russia can be characterized by a few waves. First, there was a big decline in GDP and in industrial growth. The government of the first president Boris Yeltsin implemented many market reforms such as price and trade liberalization, privatisation and some others. However, most of these reforms were not comprehensive and sequential; combined with administrative resources and a specific political situation, they allowed special interest groups to gain profits and benefits. A number of individuals close to the organs of power – the so-called oligarchs – managed to gain control of some enterprises during non-transparent and unfair privatisation schemes. Such pattern of reforms in favour of interest groups predetermined the future development and rent seeking character of the economy. Later, a crusade against oligarchs became a pretext for property rights violations and attacks on human rights and democracy.

Uncompleted, unfinished, painful and inefficient reforms, weak and distorted political institutes, to a high extent, destroyed the hopes of Russians that their country could quickly adapt to a liberal economy. Moreover, it also destroyed many Russians' belief in the benefits of a market and democracy based economy. Cheap oil and gas on world markets, on the one hand, and the need to extend populist governmental spending without actual state control and transparency, led to a financial crisis in 1998.

On December 31, 1999 Yeltsin resigned, and his successor Vladimir Putin won the presidential elections in 2000. As second Russian president, Putin has gradually changed the pattern of economic, political and social development of the country. In 2001, the Russian Government and Duma adopted a medium-term fiscal federal program and developed legislation aimed at making regions more accountable; it launched legal, pension and education reforms; passed new labour and commercial land codes; initiated work on agricultural and customs codes; eased currency controls; streamlined business licensing and registration requirements; and passed a corporate governance code. However, the economy strongly depended on oil and gas revenues. The current account balance grew to USD 95.3 b in 2006, almost entirely due to oil price increases. The capital account turned positive in 2006, with a net inflow of USD 6.1 b. Foreign direct investment (FDI) flows dramatically improved in 2006 to USD 31 b. Russia paid back early its entire Soviet-era Paris Club debt of USD 22 b in late 2006, pushing Russia's sovereign foreign debt down to USD 45 b at the end of 2006, or about 5 percent of GDP. Russia's total public and private foreign debt at the end of 2006 was USD 310 b, or 31 percent of GDP. Such a dramatic reversal of the macroeconomic situation is truly remarkable. Russia currently has a sovereign investment-grade rating from Standard and Poor's of BBB+.

Despite these economic achievements, the role of the state in the economy has significantly increased; the government believes that by creating state-sponsored investment funds, special economic zones, and by exercising control of strategic enterprises it could achieve better results in economic performance. Although investors are returning to Russia, excessive bureaucracy, corruption, insufficient and insufficiently enforced legislation, selective interpretation of laws (particularly tax laws), unclear limits and conditions of foreign investment, obsolete infrastructure, and stalled economic reforms still remain a problem. In 2005, the government announced reform programs in four priority areas (health, education, housing, and agriculture), but further work is needed on them as well as in financial regulation, civil service reform, and reform of government monopolies, such as railroads, gas, and electricity.

Alongside with strengthening Russian economic power, the country changes its internal and external politics. Kremlin policy makers first came up with the expression "managed democracy", which was later replaced by "sovereign democracy". Russia defends its right to have its own way of development; while the West finds that the country becomes more and more authoritarian, hostile and dangerous to democratic processes in the world.

Meanwhile, Putin and his political course enjoy a high and sustainable political support among the population at large. Increased living standards and the possibility to travel under conditions of political stability lead to the situation when more and more Russians support governmental internal and external policy.

2. Demand for Technical Co-operation in the Country

2.1. Attitude of the Government and the Society towards Democracy and Market Economy

During the governance of Yeltsin, the Russian government welcomed international technical assistance and programs of co-operation. Most programs were devoted to democratisation and supported market reforms. Indeed, Russian policy makers were eager to borrow and loan rather than fundamentally transforming old institutions and building new ones. After chewing for a while on a number of economic reforms, only a few inconsistent ones were swallowed. These reforms (tax, budget, pension, social, medicine etc.) either got stuck half way or remained indigested [in society] and populism increased, resulting in unreasonable government spending.

Civil society has not yet become entrenched in Russia. On the one hand, the population still, from Soviet times, generally distrust organized interest groups. On the other hand, the authorities have not yet come to terms with the idea of civic organizations being outside their control and having a legitimate voice in government affairs. As a result, considerable barriers to effective development of civil society remain. That is why civil society did not become an influential political power, which could lead the country to a democratic orientation, and that is why sources devoted to its development did not bring considerable results. Taking this point a bit further, we may add that imported Western practices fell on dry land because its form did not fit the developmental stage Russian society was in. Political reforms died in an early stage or were unable to take root due to a lack of water.

To some extent, taking the situation of human rights and freedom into account, Russia itself rapidly moves towards 'Belarusization'. Since 17.09.1999 all TA must be registered with the Commission for questions on humanitarian and technical assistance under the Government of the Russian Federation (although TA is still exempt from taxation, unlike in Belarus)¹. A new version of the Law "On Non-Commercial organizations", made at the end of 2005 required making changes in statutes of representatives of foreign foundations and NGOs in accordance with Russian legislation. Besides, the procedure of registration of new organizations was toughened, all NGOs must get approval of their activities from the Commission, their activities should not contradict Russian national interests, etc. All that theoretically allows creating obstacles for their activities by Russian authorities and puts foreign foundations and organizations in a very vulnerable position. In 2006, some organizations did not get permission to work in Russia at all.

There were delays in grant state registrations in 2005-2006. Some Russian NGOs working in the field of independent mass media and human rights had been waiting for two years for state registration². There were projects of USAID and the EC that were injured by the delays. Russian NGOs complain that the Commission on TA state registration meets increasingly rarely and it gives much less certificates on tax exemptions while the whole procedure became much more bureaucratic. Still, the Russian government denied any political background in these issues, and explained the long waiting time by the difficult and complicated procedure of approval. The fact that tax exemptions are granted more rarely was explained by the necessity to control practices of hiding taxes.

Significant export revenues led not only to the end of a responsible budget policy and the necessity to reform state institutions, but it also allowed reconsidering the approach toward ideology and the role of the state in expert society. Worried about the so called 'colored revolutions' that occurred in Georgia and Ukraine, the Russian government increased the amount of national financing for local NGOs. Nowadays, foreign financing of many think tanks and NGOs amount to 30%, while the rest is financed by state sources. There are many centres which are financed only by state sources. In 2006 a state budget around 17.5 m USD was spent on supporting NGOs "participating in civil society development". Indeed, the presidential administration decided which NGO to support and for which purposes. PACE of the Council of Europe recently criticized Russia for worsening the situation with foreign technical assistance and foreign NGOs and foundations.

¹ <http://www.economy.gov.ru/>, Federal law 395 "On voluntary assistance", issued on 04.05.1999

² http://www.eurasia.msk.ru/rus/news/fn_20060404.html

2.2. Technical Capacity of the Country

In the 1990s Russia was keen on accepting any TA without discrimination. Indeed, the efficiency of this help was limited. Often it was counterproductive.

Although from a technical point of view there were and are enough specialists to implement reforms, Russian top-level elites did not want it. Russian and foreign experience with transition economy, a well educated population and numerous programs on TA have created a wide layer of specialists, experts and analysts. Instead, bureaucracy, lack of transparency, absence of political will and rent seeking determined a low efficiency of many TA programs.

On the other hand, the necessity and demand for TA was considerably reduced since Russia started enjoying high prices for its energy exports. The need for many programs was even more reduced because political changes predetermined a 'colder' attitude to the programs devoted to democracy development.

3. Supply of TA to the Country

3.1. Dynamics of TA Flows

Russia is the biggest recipient among CIS countries of both American and European TA. "According to the *Report on Foreign Assistance* published in 2000 by the US General Accounting Office (GAO), up to September 1998 USD 66 b in international assistance has been poured into Russia through various channels, excluding food aid loans, trade credits and debt rollovers³. The major donors were the IMF (USD 22 b), the World Bank (USD 7.5 b) and the EBRD (USD 2.2 b). The European Union spent USD 1.6 b. The United States is the biggest bilateral donor at USD 2.3 b in grants for technical assistance, exchanges and other programs to address humanitarian needs and support economic and democratic reform. The US is followed by Germany, the United Kingdom and Norway. According to Russian private estimations, annually the country receives up to USD 2 b in grants and humanitarian assistance"⁴.

Despite still relatively high TA inflows, recently the pattern of providing TA is being changed. Partly, this could be explained by noisy corruption scandals and the inappropriate character of using some credits and grants given to the Russian government (by IMF, WB, etc.) in 1995-1998. Partly – by the fact that the OECD rejected Russia from the category of poorest countries, which naturally reduced amounts and number of TA programmes.

Disagreement with the US on different issues of Russian internal and foreign policies had led to reduction of American TA to the country. For example, from 1992 to 1997, the US government obliged 4.5 USD b in grant assistance to Russia. But Russia's share of the TA to NIS fell from about 60% in 1993-1994 to 17% in 1998 and has been between 15-20% since then.

Overall, the United States has been the largest single bilateral donor to Russia, followed by the European Union, Germany, and the United Kingdom. This ranking includes all programs, not just USAID-funded activities. Financing from international financial institutions such as the World Bank and the International Monetary Fund has also been very significant in Russia. As the lead donor in the small business sector, USAID works closely with the European Union (EU). USAID also co-ordinates its business development activities with other donors, including the United Nations Development Program and the British Department for International Development.

A key player in economic reform, USAID collaborates with the World Bank, the EU, the European Bank for Reconstruction and Development (EBRD), the U.S. Treasury, the British Know-How Fund and the IMF on banking and accounting reform. USAID co-ordinates its environmental activities with other donor governments, NGOs, and international financial institutions, particularly the World Bank and the EBRD. Close partners in NGO development are the Canadian International Development Agency, the EU, the Mott Foundation, the McArthur Foundation, the Ford Foundation, the Open Society Institute, and the British Know How Fund. Regular rule-of-law discussions involve USAID, the World Bank, the European Union, various embassies, and private

³ <http://www.acdi-cida.gc.ca/CIDAWEB/acdicida.nsf/En/EMA-218114648-MSX?OpenDocument#12>

⁴ <http://old.radiomayak.ru/schedules/6852/18571.html>

foundations. A top health donor, USAID co-operates with the World Bank and the World Health Organization to strengthen the Mission's infectious disease programs. The World Bank, the Open Society Institute, and other donors with USAID implement complementary social safety net activities.

Different countries have their own programs of supporting changes in Russia. For example, for many years Japan has a program on training Russian specialists in Japan and Russia for providing them with Japanese knowledge and skills, as well as supporting economic reforms and restructuring the economy⁵. Japan's assistance committed to the Russian Federation for the years 1993-2006 is about USD 6.280 b.

There are many foundations (governmental and private) which work in the field of providing different kinds of technical assistance to Russia. Among these Foundations one can mention McArthur Foundation, the Carnegue Endowment, and different German, Polish and other foundations.

The list of International Organizations/Programs is available on http://www.idrc.ca/en/ev-29360-201-1-DO_TOPIC.html

Due to a lack of information, it is generally very difficult to estimate real amounts of provided assistance. No databases are available; numbers are fragmentary, incoherent, or cover only a limited number of years. Donor sites do not provide proper information while OECD databases with this kind of information is neither available.

From compounding the major donors (EU, US), added with bilateral donors such as the EBRD and the WB and assuming that other donors do not exceed 10%, we can approximately put the amount of total TA received by Russia in 1992-1996 at USD 26 b. In terms of GDP or GDP per capita this is, indeed, less than in Ukraine (Table 1)

Table 1. Approximate flows of technical assistance to Belarus, Russia and Ukraine, m USD

	Approximate accumulated TA for the period from 1992-2005, m USD	Approximate TA in the period 1992-2005 to GDP ⁶	Total accumulated TA per capita, USD
Russia	26163.0	3.41	181.6
Belarus	1174.3	3.89	119.8
Ukraine	12686.8	14.65	269.4

Source: author's estimations and calculation.

Table 2 provides an approximate account of TA flows by year and major donors, which the author was able to find on Internet sources.

⁵ <http://www.mofa.go.jp/region/europe/russia/assistance/tech.html>

⁶ GDP for 2005.

Table 1. Dynamics of TA flows

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
The EU, m euro	267	193	246	233	250	248	239	228	176	198	186	na	na	na	na	na	3600**
The US, m USD					450	348	624.8	639.4	1990	1113	1051	1022	963.33	950.83	1006.33	1178.8	11337.49
EBRD, m euro																7195	7195
World Bank, m USD				200	64	528	137	0	30	60	50	0	30	100	138	-	1337
TRANSFORM, m euro																	214.26
Adenauer Foundation, m euro											1.25	1.35	1.22	1.22	1.31	-	6.33
Swiss Agency for Development and Co-operation (SDC), m USD				6.98	10.04	21.02	16.00	14.81	13.79	14.55	12.00	20.09	15.27	15.42	16.91	168.94	345.82
Japanese government, m USD																	680.0
SIDA (Sweden government), m USD								2.8*					1.07*	30.87	32.54		67.28
CIDA, m USD																	300

Note: * - means by mentioned year, for example by 2003 (i.e. accumulated amount during period 1993-2003).

** - 2002-2005

*** - own estimations.

Source: own calculations, web sites.

3.2. Technical Co-operation by Donor and sector

Areas tending to be favoured by donor intervention range widely, and include public administration, monetary policy (including work with the Central Bank of Russia), taxation and revenue collection, fiscal systems and income redistribution, trade and investment structures (including customs), the rule of law, and governance. It is interesting to note that multilateral agencies such as the World Bank and the EBRD are particularly active in state reform. There is a variety of reasons why this is so, but certainly one of the most obvious reasons is cost. Programs aimed at reforming state structures are often too extensive for one single country program, with perhaps the exception of USAID. For this reason, although there are diverging views among donors over state structure reform, this is one of the areas where co-ordination and collaboration are most prevalent.

The US government is the biggest donor for Russia, providing approximately USD 11,347 b during 1995-2006 (Table 1). Most of American programs (within different donors as USAID, IRI, NED, and other organizations and institutions) are devoted to co-operation in the military and legal spheres (Table 2).

Table 2. The US governmental TA, by sector, m USD

	2003	2004	2005	2006	Total	%
Democracy Programs	81.37	63.13	62.95	78.53	285.98	6.98
Economic and Social Reform	69.44	54.33	35.32	20.86	179.95	4.39
Security and Law Enforcement	770.62	802.63	897.76	1050.61	3521.62	85.91
Humanitarian Assistance	26.1	19.97	1.5	23.9	71.47	1.74
Cross Sectoral Initiatives and other programs	9.13	4.67	7.39	4.9	26.09	0.64
Privately donated and US Defense Department excess humanitarian commodities	6.67	6.1	1.41		14.18	0.35
Total	963.33	950.83	1006.33	1178.8	4099.29	100.00

Source: <http://www.state.gov/p/eur/rls/rpt/63178.htm>, own calculations.

The EU is the second biggest provider of TA to Russia. During 1991-2000 Russia received 51% of all sources allocated within the TACIS program (Ukraine – 20%, Belarus – 2%). In general, more than euro 2.6 b has been allocated to Russia under the TACIS programme since its start in 1991, in order to promote its transition to a market economy and to reinforce democracy and the rule of law. The TACIS national programme for Russia focuses on support to institutional, legal, and administrative reform, as well as economic and social development in Russia, with considerable emphasis given to issues related to freedom, justice and security, including judicial reform, the fight against organised crime and terrorism, migration, and asylum.

Support to a further integration of the EU and Russian economies is also an essential component of the programme, including the progressive approximation of relevant Russian legislation with the *acquis communautaire*. The programme also addresses the social consequences of transition in terms of health, labour, and education. Russia has also been one of the main beneficiaries of the TACIS Nuclear Safety Programme, which has allocated more than a billion euro to improve nuclear safety in the NIS.

Since 2005, Russia has benefited from the TACIS Neighbourhood Programme facility intended to support projects covering both sides of the border between Russia and the enlarged EU. Other major sources of co-operation are the European Initiative for Democracy and Human Rights (EIDHR) and the European Commission Humanitarian Office (ECHO), the latter being the largest foreign programme in the North Caucasus. In addition, in the context of the EU Joint Action on disarmament and non-proliferation, the EU has carried out co-operation programmes, in particular with Russia, for destruction of weapons of mass destruction, and non-proliferation.

The present Indicative Programme for the period 2004-2006 covers three areas of co-operation, in continuity with the previous period 2002-2003⁷:

- Support for institutional, legal and administrative reform (Administrative reform, Judicial reform, Fight against organised crime and terrorism, Migration issues, Support for the civil society)

⁷ http://ec.europa.eu/external_relations/russia/csp/index04_06.htm

- Support to the private sector and assistance for economic development (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)
- Support for addressing the social consequences of transition (Social and health sector reform, Labour policy and social dialogue, Education, Municipal services)

Within a sectoral view, most of the European TA was devoted to supporting the private sector and infrastructure development (Table 3).

Table 3. EC assistance to Russia, (1991-2001 in euro m)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Total, 1991-2001
Support for institutional, legal and administrative reform	47	9	18	19	46	24	16	30	15	28	28	280
Support to the Private Sector and Assistance for Economic Development	27	31	50	43	41	31	29	31	18	14	19	334
Support in addressing the Social Consequences of Transition	0	16	19	0	7	10	11	3	7	6	16	95
Development of Infrastructure Networks (including energy, transport and telecommunications)	74	35	39	38	35	23	24	20	14	0	3	305
Promotion of Environment Protection and management of natural resources	13	0	0	0	0	6	5	10	8	4	0	46
Development of the rural economy	51	20	12	16	17	10	13	9	5	0	0	153
Policy advice, Small Project Programmes, Bistro and reserves	0	0	13	19	4	21	27	24	20	35	20	183
TEMPUS	0	0	0	15	11	8	8	13	11	11	10	87
Special Program of Kaliningrad oblast												
Total RF Action Programmes	212	111	151	150	161	133	133	140	98	98	96	1483
<i>Other TACIS programmes</i>												
Regional and other programmes	25	12	35	29	27	31	27	27	21	17	23	274
Nuclear Safety	27	30	44	33	30	40	34	17	12	33	19	319
Donor Co-ordination	0	28	10	10	20	25	27	28	28	32	30	238
Programme Implementation	3	12	6	11	12	19	18	16	17	18	18	150
Support												
Total from other programmes	55	82	95	83	89	115	106	88	78	100	90	981

Source: http://ec.europa.eu/external_relations/ceeca/publication/tacis_2.pdf

EBRD also plays an important role in providing technical assistance and co-operation to Russia. Almost half of the investments signed by the EBRD in Russia in 2005 had received donor assistance. These investments, worth euro 470 m, provided finance and advice to smaller businesses, improved banking services and transparency and upgraded municipal infrastructure (EBRD, 2006). Distinguishing from many other practices, only 5% of the EBRD technical co-operation assignment were in Moscow and StPetersburg.

Within a sectoral view, most of the ERD TA was devoted to supporting financial institutes and private sector development (Table 4).

Table 4. EBRD TA to Russia by sector, m euro

	1991-2006	%
Agriculture	570	7.92
Financial institutes	2207	30.67
Energy	542	7.53
Transportation	772	10.73
Natural resources	735	10.22
Industry	1322	18.37
Telecommunications and mass media	386	5.36
Ownership and tourism	171	2.38
City-council/local authorities	490	6.81

Source: www.ebrd.com

The work of the Canadian International Development Agency (CIDA) in Russia aims to support the establishment of a stable, prosperous, and democratic country with a well-developed market economy and efficient, responsive government institutions. Established in 1991, CIDA's Russia program is a concrete demonstration of Canada's long-term commitment to the process of reform and transition in Russia. To date, Canada has committed over USD 300 m in support of technical co-operation with Russia. The Russia bilateral budget (approximately USD 18 m for the fiscal year 2003-2004) covers more than 30 active projects. Additional assistance to Russia is provided through various regional programs such as CIDA's Industrial Co-operation program (CIDA-INC), and the Institutional Partners Program).

The World Bank currently is organized around four central themes which help address Russia's key remaining development challenges⁸:

1. *Sustaining Rapid Growth*, including active participation in economic policy debates, monitoring the investment climate, supporting public investment and PPPs for growth and diversification, working with regions to identify and overcome barriers to growth, supporting investments in priority areas at the regional level, and providing direct assistance to the private sector.
2. *Improving Public Sector Management and Performance*, including remaining engaged in supporting programs for modernizing selected public sector institutions, and improving government administration, the judiciary, local self-government, and budgetary management at federal and sub-national levels.
3. *Improving the Delivery of Social and Communal Services*. In addition to continued general co-operation with the federal government, the Bank will concentrate much of its support for improving social service delivery at the subnational level. Activities will include improving the health of the general population, modernization and improvement of the education system and vocational training, upgrade of targeted social assistance and improvement in the provision of housing and communal services, among other things.
4. *Enhancing Russia's Global Role*. The Bank will step up co-operation with the Russian government in support of its emergence as an international donor and active member of multilateral organizations. This will include assistance in establishment of an Official Development Assistance system for Russia as an emerging donor, and providing access to the Bank's instruments for channeling Russian development assistance, including arranging an Africa debt-for-development swap and assisting in the establishment of a Malaria Booster Trust Fund and other development aid contributions.

Numerous international funds, which are widely represented in Russia, can be divided in two groups. The first group (mostly German and American foundations, like Konrad Adenauer Foundation, Friedrich Ebbert Stiftung, Open Society Institute, Macaourtour Foundation, etc.) devotes most of its programs on support of economic and political reforms and development (public dialogue, projects devoted to elaboration of different reforms, conferences and seminars etc.), co-operation with Ukrainian NGOs, analytical centers, etc. The second group (Canadian, Swedish, Swiss foundations) devote most of its programs to social development and social support projects, health, education programs, cultural and humanitarian co-operation and cooperation with state bodies.

4. Impact of Technical Co-operation on Country Development

The impact of TA on Russian development is divergent and contradictory. On the one hand, the country slowly moves toward a market economy, with an intention to join WTO and many other international organizations, meeting different international rules and obligations. On the other hand,

⁸<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/RUSSIANFEDERATIONEXTN/0..contentMDK:20251574~menuPK:518233~pagePK:1497618~piPK:217854~theSitePK:305600,00.html>

the country strongly defends its own economic interests, however, often they cover narrow lobbying and special groups interests. Such policies bars the country from market developments and transformation of its institutes (it is incident to infrastructure industries and financial sectors). Progress on economic reforms is reflected in EBRD indexes (Table 5). Meanwhile, it is obvious, that the level of corruption and the business climate in the country are far from market standards.

Table 5. The state with reforms in Russia: international comparisons

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<i>Democracy Score, including</i>	-	4.58	4.58	4.88	5.00	4.96	5.25	5.61	5.75	5.86
- Electoral Process	-	4.00	4.00	4.25	4.50	4.75	5.50	6.00	6.25	6.50
- Civil Society	-	3.75	3.75	4.00	4.00	4.25	4.50	4.75	5.00	5.25
- Independent Media	-	4.75	4.75	5.25	5.50	5.50	5.75	6.00	6.00	6.25
- Judicial Framework and Independence	-	4.25	4.25	4.50	4.75	4.50	4.75	5.25	5.25	5.25
- Corruption	-	6.25	6.25	6.25	6.00	5.75	5.75	5.75	6.00	6.00
EBRD transition index	2.55	2.52	2.63	2.70	2.85	2.92	2.96	2.96	3.04	-
- Price liberalization	2.00	1.67	2.00	2.33	2.33	2.33	2.33	2.33	2.33	-
- Large privatization	3.33	3.33	3.33	3.33	3.33	3.33	3.33	3.00	3.00	-
- Enterprise Restructuring	2.00	1.67	2.00	2.33	2.33	2.33	2.33	2.33	2.33	-
- Trade and FOREX system	2.33	2.33	2.33	2.67	3.00	3.33	3.33	3.33	3.33	-
- Competition policy	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	2.33	-
- Infrastructure sector reforms	2.00	2.33	2.33	2.33	2.33	2.33	2.67	2.67	2.67	-
Corruption perception Index	2.4	2.4	2.1	2.3	2.7	2.7	2.8	2.4	2.5	-
Doing business	-	-	-	-	-	-	-	79	113	106
Human Development Index (HDI)	-	71	62	55	60	63	57	62	65	-

Source: EBRD, Transition report; Freedom House, Nations in transit; WB, Doing business; Transparency International.

Note: FH ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. EBRD rating are based on a scale of 1 to 4.77, with 1 representing the standards of a planned economy and 4.77 those of a market economy. CPI measures perceptions of corruption on a scale of 0 'highly corrupt' to 10 'highly clean'. Doing business and HDI represent the rank of the country.

Russia's human rights record and the state of democracy remains uneven and has worsened in all areas in recent years (FH, 2006-2007). The judiciary is often subject to manipulation by political authorities and is plagued by large case backlogs and trial delays. One of the main disagreements between Russia and the international society is Chechnya and, more broadly, the situation in the North Caucasus.

5. Problems in Technical Co-operation and the Ways to Increase TA Effectiveness

It is difficult to underestimate the role of the programs of TA and TC for Russia, especially at the initial stages of transformation. Macroeconomic, institutional and structural reforms, private sector development, energy and social sectors, democracy and civil society development, all that and many others spheres met international TA.

However, one can also argue that although some positive results were achieved through international assistance, most of them were either incomplete or have not shown the results which were sought in the first place. Furthermore, the international community did not have a comprehensive strategy regarding the level, timing and priorities of assistance and how assistance should be co-ordinated. Following the August 1998 financial crisis in Russia and the disastrous losses suffered by international lenders, they have been increasingly eager to co-ordinate their activities and to share their expertise and experience. However, it was too late.

The current model of providing TA to Russia is outdated. Russia is on another level of its development (compared with the beginning of the 1990s), with different possibilities, demands and understanding of its governors what is needed and welcome. Western long term assistance will be a rather limited source, with little influence on future development. Russia today is rich enough in order to solve its problems by itself, at least in financial issues. However, technical co-operation,

transfer of best foreign practices and experience are still of high importance. The programs of technical assistance and co-operation should go within the pattern and aims of the Russian government in programs of reforms and modernization.

The following, rather theoretical, notes and recommendations could be useful for elaboration of new directions of TA and TC with Russia:

- Close, active and transparent co-operation between recipient and donor (and, if any, intermediary) is a precondition for success within the programs of TA and TC;
- The programs of TA are more efficient and successful when a recipient (and beneficiary) plays the main role in their elaboration;
- Donors can intervene only to the extent that the Russian government itself wants foreign involvement in its reform efforts, so the programs should be technical rather than ideological and fit to the goals and expectations and of the Russian government;
- TA programs should reflect the ability of a recipient to receive assistance; and evolve alongside with the growth of a recipient's competence;
- The actions which are part of a TA project should be directly connected with achievements of the program's goals;
- Advisors involved in providing TA should have international experience and specialist knowledge of the country.

There are some technical recommendations connected to recent trends, which could be useful for elaboration of new directions of TA and TC with Russia:

- A form of co-operation with perspective is the so called Public Private Partnership, which can help to modernize aging industrial infrastructure and simultaneously support private sector development;
- More attention should be given to the programs on corporate governance;
- Very promising seems to be the assistance in elaborating and improving legislation;
- Shift towards more projects in the social sphere, such as education (schools, universities), medicine, science;
- Support of private sector development should remain a priority.

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