

TACIS RUSSIA ACTION PROGRAMME 2004

1. IDENTIFICATION

<i>Form of programme:</i>	Russia National Action Programme 2004
<i>Beneficiary Country</i>	Russian Federation
<i>Budget year:</i>	2004
<i>Budget Line:</i>	190601
<i>Financial allocation:</i>	€ 94 million (including € 10 million for Tempus programme to be implemented by DG Education and culture)
<i>Legal basis:</i>	Council Regulation 99/2000 (Tacis)
<i>Contracting:</i>	All contracts must be concluded after the signature of the Financing Agreement and within 36 months following the date of the budgetary commitment.
<i>Implementation</i>	The implementation of projects under this proposal must be concluded by 31.12.2009. Therefore, all technical activities provided for under this programme and all contracts must end by 31.12.2009. The method of implementation is centralised with the EC as Contracting Authority
<i>Annual Programming:</i>	Delegation of the European Commission to Russia
<i>Related CSP and NIP</i>	Russia Country Strategy Paper 2002-2006 Russia National Indicative Programme 2004-2006
<i>Remarks:</i>	No administrative expenditure will be financed under this programme

2. SUMMARY OF THE PROGRAMME

The National Action Programme 2004 for the Russian Federation comprises a series of actions in support of the Russian Government's economic, social, administrative and legal reforms. It supports the practical implementation of key aspects of the high-level policy dialogue between the EU and the Russian Federation and will contribute to the implementation of the Partnership and Co-operation Agreement (PCA), the Northern Dimension Action Plan and the objectives of the Common Strategy for Russia.

The technical assistance measures included in this Action Programme have been agreed with the National Coordinating Unit.

The programme will, on the basis of Council Regulation (EC, Euratom) No 99/2000 concerning the provision of assistance to the Partner States in Eastern Europe and Central Asia, implement activities in the following areas of co-operation selected under the Russia National Indicative programme 2004-2006: "Support for Institutional, Legal and Administrative Reform", "Support to the Private Sector and Assistance for Economic Development" and "Support in Addressing the Social Consequences of Transition".

Action Programme 2004 also includes activities to support the **Kaliningrad Special Action** defined in the referred Russia National Indicative Programme 2004-2006.

Action Programme 2004 will be financed through an EC grant of €94 million and will include 25 individual projects in addition to the Tempus programme and the Institution Building Partnership Programme (IBPP).

During project selection particular attention has been given to the projects' anticipated systemic impact, to its coherence with the Russian government's reform and to co-ordination with Member States' and other donors' programmes. Due regard has also been paid to the needs and absorption capacity of each sector, to the choice of counterparts, in particular to their commitment to the reform process and their implementation capacity, the appraisal of risks and assumptions, as well as to the EU expertise available and to the comparative advantages of the programme.

Table 1 Russia National Action Programme 2004 –Allocations per area of cooperation- Summary Table

	Area of cooperation	€M
I.	Support for institutional, legal and administrative reform	25
II.	Support to the private sector and assistance for economic development	35
III.	Support for addressing the social consequences of transition (Including the Special Action for Kaliningrad)	28
	Small Projects Programmes - Institutional Building Partnership – Civil Society	6
	Total	94

Support for institutional, legal and administrative reform

Action Programme 2004 provides support 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. The programme will support regional governments in the introduction of modern budgeting techniques used by the state bodies at federal and regional level as well as a more transparent and efficient public procurement system which will reduce the potential for corruption and optimise value for money in public spending. Assistance will also be provided to the Duma and the Ministry of Economic Development and Trade to improve their administrative performance.

A strengthened system for non-custodial sentences is among the expected results included in the National Indicative Programme 2004-2006. In this respect the programme will promote alternatives to imprisonment and help to reduce the jailed population.

The programme will also contribute to strengthening Russia's capacity to fight organised crime by increasing awareness among potential victims and concerned agencies on trafficking, the possibilities for legal and safe migration and to support the efforts of relevant authorities. Also federal legislation will be developed to contribute to create an effective migration management system. The programme will put in place the basis for regional co-operation as a means to support the national

police forces for all Partner States to fight against national and international crime more effectively.

Finally the programme under this area of cooperation will aim at supporting civil society participation with respect to global environmental problems.

Support to the private sector and assistance for economic development

Action Programme 2004 will primarily focus on the integration of Russia into the world economy. This is essentially reflected by trade-related projects targeting customs procedures and sanitary and phyto-sanitary rules, identified as crucial areas for the further development of EU-Russia economic relations in the perspective of a Common Economic Space, and also recognises the importance of specific sectors – innovative SME, steel sector - in this process. The programme takes into account the increasing threat posed by illegal commercial activities, and proposes to launch cooperation with the Russian Federation on export control of dual use item, an essential element for the non proliferation of weapons of mass destruction. The AP 2004 further pursues the reform of the financial sector, in line with Russia's policies, through targeted actions on International Financial Reporting Standards and SME access to finance and financial markets.

As for particular sector reforms the programme will complement the implementation of the Russian Federation Energy Strategy by looking into the economic analysis of small-scale hydro power plants. The programme will support the improvement of the gas pipelines network in the Russian Federation.

Support for addressing the social consequences of transition

Under this area of cooperation the programme continues previous efforts to strengthen the reform of the social sector, while contributing to the basic social security needs of the population. It concentrates on services for the disabled and primary health facilities. The Action Programme 2004 includes projects in the area of higher education under Tempus, which allows Russian students and university academic staff to take part in co-operation programmes. Finally the programme also aims at improving the management of municipal services.

Special Action for the Kaliningrad Region

Action Programme 2004 implements two of the components identified by National Indicative Programme 2004-2006: health and education. The programme will support the Regional Administration of Kaliningrad, which has been closely involved in the selection and appraisal of project proposals, to improve the health care services in the region by supporting the development of relevant primary and prevention programmes in particular in the rural areas. It will also provide technical assistance and policy advice in designing, developing and managing labour market policies in the regions, promote the vocational and professional education system in the region and develop a system of continuous training for the workforce.

3. COUNTRY UPDATE

In 2003 President Putin retained very high approval ratings and further consolidated his power. He was re-elected with an overwhelming majority in the March 2004 presidential elections. The December 2003 parliamentary elections resulted in a resounding victory for the Kremlin-sponsored 'United Russia' party, which obtained a two-thirds majority in the new Duma. This will further facilitate the passing of legislation prepared by the government and the presidential administration.

In 2003, the Russian media landscape became less pluralistic, notably due to the closure of independent television network TV6. There were also several signs of the growing influence of the security services within the Kremlin and strengthened control over civil society. .

A government restructuring, which saw the number of Ministries reduced from 30 to 14 (later increased to 15), in March 2004 appears as the first step in implementing administrative reform plans. A new tier of federal government comprises Federal Services (charged with inspection functions) and Agencies (implementation and regulatory functions), most of them subordinated to the relevant Ministries. The new government structure ostensibly takes into account the recommendations of a special Government Commission, which proposed the abolition of superfluous and duplicated government functions; relevant legislation is under preparation. It is planned that inspection and control functions will later be transferred to new independent watchdogs or to the private sector. Regarding civil service reform, after passing of a framework law on the public service (including the military and law enforcement agencies) in 2003, a comprehensive draft law for the modernisation of the civil service, which includes provisions to address conflicts of interest, is due to be adopted by the Duma later this year. In late 2003, President Putin launched the fight against corruption as a distinct priority with an emphasis on tougher law enforcement. A new Anti-Corruption Council was created in November 2003.

Federal reform moved forward in 2003 with the adoption of legislation delimitating the respective powers of the federal, regional and municipal authorities. Corresponding amendments to the Tax and Budget Codes are expected to reinforce recent years' trend of redirecting revenue to the federal centre. A new law establishing a two-tiered structure of local government was also passed, but will come in force in 2006. The third stage of federal reform, which envisages the merger of regions, has also begun.

Judicial reform continued with the adoption of amendments to the Criminal Code that reduce penalties for petty crimes and possession of drugs for individual use. No progress was reported in implementation of earlier reforms, as public prosecutors continue to have an overwhelming influence over court decisions. Corruption in the judiciary remains a problem. Another key amendment to the Criminal Code defined trafficking in human beings in line with international standards and introduced harsher penalties for this crime.

In 2003, President Putin set the targets of doubling GDP within ten years and reducing poverty. According to official figures 31 million people live below the

subsistence minimum (around \$60 a month). In 2003 the Russian economy saw another year of excellent growth fuelled by increased oil production and the high world price for oil and energy products. GDP has grown substantially with the latest estimate of the Ministry of Economic Development and Trade being at 6.9% for the year. Inflation declined to 12% in 2003 in line with the government target.

The federal budget in 2003 posted a surplus of 1.6% of GDP. The federal budget for 2004 targets the surplus of 0.5% of GDP. Russia's external debt fell in absolute and relative terms.

Progress on structural reforms was mixed in 2003. The reform of natural monopolies advanced mostly in the electricity and railways sectors, while the gas sector is still under discussion. In the public finance area the most significant development was a creation of the stabilization fund aimed to accumulate excessive revenues from oil exports. An important reform was an adoption of the new Customs Code, which takes effect on 1 January 2004. Continuation of the structural reforms should positively influence the business climate in Russia.

In the run-up to the EU-Russia Summit on 21 May, negotiations were concluded on the bilateral terms of their accession to the WTO. Although Russia has not yet acceded to the WTO, and it may take some time to conclude, this is a major step for them given that the EU is by far Russia's largest trade partner. During the same summit, Russian gave positive signals towards Kyoto protocol ratification and the EU draft Action Plan on the Four Common Spaces was handed over as a basis for further discussions. Agreement has also been reached to extend the PCA to the new EU Member States.

4. PAST EC ASSISTANCE AND LESSONS LEARNT

Since 1991, Tacis has been the leading technical assistance programme supporting the transition process in Russia. More than €2.6 billion have been earmarked in the form of national action programmes and through multi-country initiatives.

The Tacis programme has offered various forms of assistance with various perceptions of success. Small-scale policy advice projects that respond quickly to the needs of governments developing reform initiatives are useful in the short term although the capacity of the Russian government to implement reforms in some areas has been overestimated. Major technical assistance projects are about relationship development, capacity building and skills acquisition, so the results can only be measured in the longer term .

Support for institutional, legal and administrative reform

In the area of legal reform, Tacis has played a significant role in contributing to the development of market-oriented legislation and regulations. High-level policy advice instruments have proven to be particularly useful, such as the Policy Advice Programme.

The impact of these actions has, however, often been limited in the past by the lack of an overall strategy for administrative reform in Russia. In the judicial field, past Tacis

initiatives have focused on the legal protection of economic operators, but these activities have so far been insufficient to achieve a major impact, and the judiciary is still the weakest pillar of power.

Administrative reform has been put high on the agenda of the President, Government and the Duma of the Russian Federation. Early recognition and support of these initiatives by the European Commission with the implementation of several projects has helped to establish a good basis for cooperation with the Russian Government. Judicial reform, initiated by the President, is a priority under Russia's long-term development programme.

However certain project partners still have difficulties in understanding the concept of technical assistance. As for the Administrative reform there is lack of transparency in some technical decisions and even a feeling of lack of guarantees on the irreversibility of the reform.

Support to the private sector and assistance for economic development

Past assistance provided considerable direct enterprise support, promoting the restructuring and reorganisation of Russian enterprises and exposing thousands of firms of all sizes to modern management techniques with a view to improving their performance. In particular Tacis supported the emergence of the SME sector and also addressed other crucial issues such as the development and rehabilitation of the banking sector. This support has played an important role for Russian privatised enterprises, which had previously never acted as economic operators making economically sound decisions, especially in a context characterised by one of the sharpest declines of GDP ever observed and the 1998 financial crisis that drastically limited their financial resources.

Inadequate legal and institutional infrastructures have however hindered the full development of the real economy sector, with SME development, for example, impeded by administrative and legal barriers or lack of financing. EC assistance has consequently been directed at a more systemic level, aiming at improving the overall business and investment climate and supporting, for instance, the reform of insolvency procedures, which have an impact on virtually all economic operators.

In parallel, the Russian economic recovery and the development of EU-Russia relations have brought more focus on issues deriving from the policy dialogue as well as trade related issues, such as intellectual property rights or standards and norms approximation.

Support in addressing the social consequences of transition

Impact has been important in human resources development, with a significant improvement of training quality in education (Higher education, VET and management training institutions). One of the main instruments in this area is the Tempus programme. It significantly contributed to the development of co-operation between Russian and EU higher education institutions.

The social sector attracted less Tacis support than expected, due to unclear policies and relatively low absorption capacity by the Russian authorities. Past Tacis actions, however, contributed to improve the overall governance of social security, promoted partnerships with NGOs on social welfare and enhanced the efficiency of municipal services.

The following table shows the amounts committed, contracted, disbursed under previous National Action Programmes.

Table 2 – Russia National Action Programmes- amounts committed, contracted, disbursed

	End Implement*	Commit.	Contracte d	Paid	Balance
Action Programme 1998	31/12/04	16,500,000	17,622,155	16,826,613	793,542
Action Programme 1999	31/12/04	69,960,000	44,099,495	34,649,841	9,449,654
Action Programme 2000 (C)	30/6/05	9,000,000	8,943,736	4,162,437	4,781,299
Action Programme 2000	30/6/06	35,000,000	32,901,499	14,648,905	18,252,594
Action Programme 2001**	30/06/07	77,000,000	55,398,989	12,529,373	42,869,616
Action Programme 2002**	31/12/06	77,000,000	63,021,554	424,797	62,596,757
Action Programme 2003***	-	95,000,000	-	-	-
Bistro 1999	31/12/04	5,000,000	5,000,000	4,590,651	409,349
Bistro 2000	30/6/06	3,000,000	3,000,000	2,481,104	518,896
AP 2000 Policy Advice	30/6/07	4,000,000	2,985,910	1,348,565	1,637,345
AP 2000 IBPP	30/6/07	12,000,000	11,784,229	5,607,635	6,176,593

Source: Delegation Annual Management Plan 2004/ CRIS

* Extensions taken into account

** Tempus excluded

*** Financing Agreement not signed yet by Russian side

The conclusions of previous and on-going reviews and evaluations of the Tacis programme have influenced the development of the Action Programme in a number of ways:

- The programme has focused on a limited number of areas, agreed as a result of a dialogue-driven approach linked to the PCA implementation process. Priority areas selected for support are important for EU-Russian relations and for the Government's reform programme
- High-level policy advice instruments have proven to be particularly useful, notably small-scale projects that respond quickly to the needs of political reform initiatives. This cooperation is also important because policy advice projects may lead to new project initiatives within the main programme.
- Systemic progress has been achieved in specific areas of high economic importance, where the EU assistance has played a significant role in bringing Russia's rules into line with international or EU practice
- The implementation of some projects is hampered by their dependency on the evolution of the political agenda as for instance, projects related to WTO accession. Projects addressing political priorities are potentially subject to institutional infighting, which can jeopardise their implementation.

- The impact of specific projects has been constrained by slow progress in the regulatory and institutional framework.
- Projects linked to the EU-Russia Energy Dialogue have proved to be difficult to agree upon.
- The absorption capacity of Russian beneficiaries is limited. Larger technical assistance projects are not always possible if a successful and efficient implementation is intended.
- Efforts should be concentrated, as much as possible, on a limited number of regions, in order to maximise the synergy amongst initiatives, as well as impact and visibility, while promoting dissemination and replication in a wider group of regions.
- For a more effective impact and sustainability of the technical assistance the focus should be given to elaboration of “models and schemes” which will be replicated in different situations / conditions. These models must have the full support of the federal authorities to allow for a successful dissemination.
- EC support will put more emphasis on enforcement, in recognition that much has been done as far as formal requirements are concerned, and in line with the widespread belief that actual implementation of legislation and regulation becomes more and more the key issue in Russia..
- Past experience has shown that the maximum degree of interaction and co-operation between the state and the voluntary sector yields particularly useful results in terms of models of good practice to be applied in other regions and contexts.
- The network of Local Support Offices must work closely with local and regional authorities to promote and facilitate the participation of regions in Tacis projects and activities as well as to facilitate the dissemination of results.
- Core Action Programme projects encouraged the presence of civil society institutions as project partners, in most cases these organisations lack the capacity to initiate legislative or major policy changes.
- For project success, legislative changes need to be initiated by the concerned ministries.

5. PROGRAMME COMPONENTS

5.1. Support for Institutional, Legal and Administrative Reform

As part of its long-term efforts to develop an efficient modern state, the Government of the Russian Federation 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 project **Management of Sub-national Public Finance** will support regional government in the introduction of modern budgeting techniques used by the state bodies at federal and regional level. Furthermore project **Public Procurement Reform II** will contribute to a more transparent and efficient public procurement system and, thereby, reduce the potential for corruption and optimise value for money in public spending. Also project **Legal Assistance to the State Duma** will provide technical and policy advice aimed at improving the functioning of the Duma. This project assumes that if the support to deputies can be improved, so too then will be the quality of legislation passed through the Chamber. This sector finally accommodates a request of the Russian Government to enhance Local and Regional Support to the Ministry of Economic Development and Trade by providing further **Support to the NCU** and the existing network of Local Support Offices .

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.

Under *Judicial Reform* the project **Alternatives to imprisonment in the Russian Federation** will promote alternatives to imprisonment and help reduce the jailed population. Among the expected results the project will raise public awareness of the negative effects of widespread use of imprisonment as a form of punishment

The Russian Federation and the EU have a common interest in stepping up their co-operation in the fight against 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*”. Under *Fight Against Organised Crime and Terrorism* the programme includes measures in the area of **Human Trafficking in the Russian Federation**, a project which will aim at increasing awareness among the potential victims and concerned agencies on the process of trafficking, on the possibilities for legal and safe migration and decrease the supply factor and to support the efforts of relevant authorities, NGOs and international organisations to protect and reintegrate victims of trafficking. Furthermore the project **Interpol Network Modernisation** will put in place the basis for regional co-operation as a means to support the national police forces for all Partner States to fight national and international crime more effectively.

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. Project **Development of the Immigration Legislation in the Russian Federation** will develop the federal legislation on immigration and contribute to create an effective migration management system.

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. The **Institutional Building Partnership Programme** will support co-operation at local level through partnerships between non-governmental organisations and/or local authorities with a strong accent on civil society development. The project **Civil Society Participation in Environmental Decisions** will aim at supporting the development of a national civil position in Russia with respect to global environmental problems. The project will also look into the problems of law enforcement and its compliance with environmental legislation in the Russian Federation.

5.2. Support to the Private Sector and Assistance for Economic Development

Assistance under this area of cooperation will continue to support the Russian Government strategies for economic reform and promote the integration of trade and investment policies into a wider sustainable development strategy linking economic, social and environmental aspects. This 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.

The overall objective of *Support to the Integration of Russia into the World Economy*, that is, progress toward further integration of Russia into the international economy will be achieved through five specific measures. The first one, **Elimination of Trade Barriers – Sanitary and Phytosanitary Measures**, will aim at harmonising sanitary and phyto-sanitary rules between the European Union and the Russian Federation, in accordance with WTO requirements. It will also improve evaluation and control over the quality and safety of products as well as upgrading the professional skills of veterinary departments staff and raise general awareness. The project **Export Control of Dual Use Items** will deal with regulatory and enforcement aspects through legal support and institution capacity building, further develop cooperation between Russian and EU specialised institutions through EU-Russian experts meetings on specific export control topics, and training of Russian officials. The project will also deal with the relationship between government and industries, raise awareness of the industry about the export control regulation and support development of an internet information centre. The **EC-Russia Steel Industry Restructuring Facility** will support the restructuring of Russian steel companies in a framework of sustainable development and contribute to the alleviation of the social and economic impacts of steel restructuring by developing SMEs in this sector and stimulating steel consumption. The project **Modernisation of the Customs Transit System** aims at enabling a fully functioning transit of goods in the Russian Federation, based on all requirements of , and similar or identical to, the EU customs procedures. Finally the objective of the project **Support to Russian Export-oriented Innovative SMEs** is to enhance EU-Russia trade relations by providing support to export-oriented innovative SMEs in Russia through the provision of specialised expertise, the creation of a more favourable business environment and the development of business relations with EU partners and support infrastructures.

As for the *Reform of the Financial Sector* the programme aims at creating a favourable business and investment climate, ensuring increased and wide-spread domestic and foreign investment flows into the productive sector of the Russian economy. A financial sector fully exercising is crucial for economic development.

The project **Russia-Bank Institution Building/SME finance** will allow selected banks to improve corporate governance and their organisational structure in order to become sound financial institutions which are able to apply best banking standards. On its turn the objective of project **Development of Russian Financial Markets** will be to contribute to the elaboration and implementation of the state policy for the development of effective financial markets. Finally the project **Transition in the IFRS in the banking sector** will contribute to the transition to IFRS in the Russian banking sector by enhancing banking skills; reviewing and improving the current legislative framework and transferring European best practices on IFRS application to Russian banks.

This action programme will also *support policy dialogue in specific domains* with projects such as **Harmonisation of Technical Standards and Norms in the Gas Sector**, which will aim at establishing a permanent cooperation between the responsible bodies of Russia and the EU Member States for standardisation, inspection and accreditation in the gas sector as well as an agreed system to verify conformity between Russia and the EU on standards, rules and practices for all phases of the gas sector and applied to all components of gas production/transmission. **Renewable Energy Policy and Rehabilitation of Small Scale Hydro Power Plants** aims at developing proposals for setting up the necessary conditions and provide technical recommendations for implementation of the Russian Energy Strategy.

The area of *Support to infrastructure Master Planning* reflects the overall, long-term objective of EU-RU cooperation in the gas sector, which is the establishment of convergent regulatory systems, based on the same principles and mechanisms. The ultimate goal is the achievement of an enhanced inter-operability of a European continental gas transportation system based on EU norms, standards and industrial practices. The project **Gas and Oil Transport Network Observation System and Modernisation Plans** aims at the improvement of security and reliability of gas pipeline supplies from the Russian Federation to the EU countries supporting the establishment of technical and investment related activities.

5.3. Support in Addressing the Social Consequences of Transition

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. 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.

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 are the main objectives under Action Programme 2004

The overall objective of the project **Rehabilitation Services for the Disabled** is the creation of a system for the comprehensive rehabilitation of the disabled, aimed at their full integration into society. This system should be composed of interacting components, such as: rehabilitation programme, state standards for rehabilitation and social inclusion of the disabled, a network of rehabilitation institutions, administrative bodies for rehabilitation of the disabled and substructures in the area and social support to the families with disabled children.

Russian Federation
Tacis - National Action Programmes*

Table 3 – Indicative funds allocated through the National Action Programme to the Russian Federations

(€million)	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Total
Support for Institutional, Legal and Administrative Reform	47	9	18	19	46	24	16	30	15	28	28	17	26	323
Support to the Private Sector and Assistance for Economic Development	27	31	50	43	41	31	29	31	18	14	19	18	17.5	369.5
Support in Addressing the Social Consequences of Transition	0	16	19	0	7	10	11	3	7	6	16	32.5	24	151.5
Development of Infrastructure Networks	74	35	39	38	35	23	24	20	14	0	3	0	0	305
Promotion of Environmental Protection and Management of natural Resources	13	0	0	0	0	6	5	10	8	4	0	4	3	53
Development of the Rural Economy	51	20	12	16	17	10	13	9	5	0	0	0	0	153
Policy Advice, Small Projects Programmes, Bistro and Reserves	0	0	13	19	4	21	27	24	20	35	20	16.5	22.5	222
Tempus	0	0	0	15	11	8	8	13	11	11	10	10	10	107
Total National Action Programme	212	111	151	150	161	133	133	140	98	98	96	98	103	1684

* Including the Special Action for the Baltic Sea Region Action Programme 1999-2003

Source: Country Strategy Paper 2002-2006 - National Indicative Programme 2002-2003

The project **Primary Health Care Facilities at Federal and Municipal Levels** will support the reform of the health care system in Russia by working out a clear methodology for the development of the primary health care based on polyclinics. The project will support prevention as a priority on both municipal and federal levels.

Education continues to be a major priority for the Russian Government. **Tempus** aims at supporting 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. It does so through interaction and balanced co-operation between institutions in the EU Member States and the partner countries organised in consortia. Consortia create long term co-operation links between the partners, which should evolve towards issues such as academic recognition, credit transfer and development of joint-curricula. Priority areas of Tempus activities are jointly defined by the European Commission and national authorities in line with the areas of co-operation in the mainstream Tacis programme. Projects address in particular: (1) curriculum development and renewal in priority areas; (2) reform and modernisation of the structure and management of higher education institutions in view of strengthening their role in the society; (3) development of skills-related training to address specific higher and advanced level skills shortage during the economic reform, in particular through improved and extended links with industry; (4) contribution of higher education and training to citizenship and the strengthening of democracy.

Finally National Action Programme 2004-2006 sets the objective of progress toward an efficient, safe and accessible municipal services complex. The **Municipal Investments Support Programme II** will contribute to improve the living conditions of the population of the Russian Federation through the modernisation and improvement of municipal services, including water supply and waste-water disposal, waste management and district heating. In addition, the provision of a targeted technical assistance to municipalities will provide leverage for the International Financing Institutions (IFIs) investments.

This Action Programme includes two projects under the *Special Action for the Kaliningrad Region*, both are also under the *Support for Addressing the Social Consequences of Transition* area of cooperation. The project **Improving Health Status of Kaliningrad region** will support the Regional Administration of Kaliningrad in improving the health care services in the region, by supporting the development of relevant primary and prevention programmes in particular in the rural areas. Furthermore it will assist in the strengthening of communicable diseases services in the region to reduce transmission of diseases such as STD, Hepatitis and Tuberculosis and HIV/AIDS. Finally it will strengthen the equipment capacities of relevant health care institutions. On its turn the project **Vocational Training and Labour Resources in Kaliningrad** will provide technical assistance and policy advice in designing, developing and managing labour market policies in the regions, promote the vocational and professional education system in the region and develop a system of continuous training of workers and development of the company and enterprise staff, taking account of labour market requirements.

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The programme also includes the **Institutional Building Partnership Programme**, which will support co-operation at local level through partnerships among a wide range of non-governmental organisations and/or local authorities from Russia and from the EU Member States.

6. COMPLEMENTARY EC-ASSISTANCE OUTSIDE THIS ACTION PROGRAMME

The National Action Programme 2004 will be supplemented by other assistance funded from 2004 budgets under the Cross Border Co-operation Action Programmes, in particular the financing of the New Neighbourhood Programmes and Border Crossings; the Nuclear Safety Action Programme; the Regional Co-operation Action Programme; the support to the International Science and Technology Centre as well as ECHO's humanitarian aid programme in the northern Caucasus. In addition, a number of projects to strengthen the rule of law in Russia, financed under the European Initiative for Democracy and Human Rights (EIDHR), are at present under implementation. In order to ensure complementarity and avoid any duplication, due account will be taken of these activities.

7. CO-ORDINATION WITH OTHER DONORS

Exchange of views and information with EU Member States and other bilateral and multilateral donors on their respective assistance programmes has continued. The Delegation of the European Commission to Russia maintains a regular dialogue with Member State Embassies, the International Financial Institutions (IFIs) and other major donors. The Tacis National Co-ordinating Unit for its part carries out regular meetings and exchanges views with other donors and IFIs. The different actions included in the programme will complement and build upon the experiences of other donors :

In the field of prevention of human trafficking the programme will be coordinated with the work of the American Government, which is behind new Russian legislation on traffic of human beings and the efforts of the **UNHCR** and **IOM** in migration problems. Current cooperation between the **Council of Europe** will be also analysed and taken into account. **France** carries out a small training programme in the judicial reform field, both in Russia and in France. **USAID** and **SIDA** remain active in supporting the civil society and in the assistance to independent media in particular

Issues concerning the environment will be fully coordinated with the international donor community within the framework of the EECCA Environment Strategy..

As for the economic sector, trade related projects will complement Member States efforts.. The project on Export Control of Dual Use Items builds on actions undertaken by **Member States** in the context of the EU Joint Action for the non-proliferation of weapons of mass destruction, and will complement **USA** efforts in this area. The facility for the restructuring of the steel industry will be co-ordinated with past and current actions carried out by the **EBRD**, **World Bank** and the **OECD**. The project on innovative export oriented SMEs will pursue longstanding **Member States'** cooperation programmes such as the **UK's** DFID and DTI projects on business and job creation in closed nuclear cities, **Germany's** Transform, **Denmark** and **Sweden's** projects in Kaliningrad and the North-West, to give only a few examples. Finally **USAID** is implementing a technical assistance programme for banking supervision which will be complemented by this Action Programme.

Co-operation with the **EBRD** will be particularly important in the economic area, as the project *Russia-Bank Institution Building/ SME finance* will be implemented through direct agreement with the EBRD itself. The project on Russian financial markets will complement other donors' interventions in the broader areas of financial sector reform and corporate governance (**EBRD, OECD, IFC, World Bank**). The EBRD will also participate in the Municipal Services Investment Support Programme together with other IFIs

In the social sphere the programme will build upon the experience of the current projects financed by **DFID** in this area. DFID, through a reduced programme, is active especially in the fight against HIV/AIDS.

As for the Special Action for the Kaliningrad Region **SIDA** is particularly active, with several projects related to prevention and control of communicable diseases as well the **Danish** Ministry of Foreign Affairs with a number of smaller projects. Also close coordination is expected with the Russian-Danish project *Resource*", funded by the **Danish** Ministry of Education which monitors the labour market in the Kaliningrad region.

8. PROGRAMME IMPLEMENTATION

8.1 Time-limit for signing the financing agreement

The financing agreement must be concluded at the latest by 31 December of the year following that in which the corresponding global financial commitment was adopted. Failing this, the funds assigned to it will be cancelled.

8.2 Performance period

- (a) The implementation period of the financing agreement starts with the entry into force of the financing agreement and ends 31.12.2011.
- (b) This performance period falls into two separate phases:
 - (i) operational implementation of the main activities. This phase starts with the entry into force of the financing agreement and ends 31.12.2009.
 - (ii) a closure phase during which the final audits and evaluation are carried out along with technical and financial closure of the contracts implementing the financing agreement. This phase starts with the end of the operational implementation phase and closes at the end of the performance period.
- (c) Expenditure arising from the main activities is not eligible for Community financing unless it is incurred during the operational implementation phase. Expenditure arising from final audits and evaluation and from closure activities is eligible until the end of the closure phase.
- (d) Any remaining balance of the Community contribution will be cancelled automatically six months after the end of the performance period.

8.3 Procedures for the award of contracts and of granting of subsidies

All contracts implementing the financing agreement must be awarded using the standard Commission procedures and documents for implementing external operations in force at the time the procedure is initiated. The method of implementation is centralised with the EC as Contracting Authority

Project Title	Indicative Tendering Procedure	Indicative Contracting Calendar
I. SUPPORT FOR INSTITUTIONAL, LEGAL AND ADMINISTRATIVE REFORM		
<i>Administrative reform</i>		
1. Management of Sub-National Public Finance	(Services/supply)	TBD – Second half 2005/First half 2006
2. Public Procurement Reform II	(Services/supply)	TBD – Second half 2005/First half 2006
3. Legal Assistance to the State Duma	(Services/supply)	TBD – Second half 2005/First half 2006
4. Support to the NCU	(Services/supply)	TBD – Second half 2005/First half 2006
<i>Judicial reform</i>		
5. Alternatives to Imprisonment	Negotiated procedure	TBD – Second half 2005/First half 2006
<i>Fight against organised crime and terrorism</i>		
6. Prevention of Human Trafficking	Direct Agreement (NGOs)	TBD – Second half 2005/First half 2006
7. Interpol Network Modernisation	Direct Agreement (Interpol)	TBD – Second half 2005/First half 2006
<i>Migration issues</i>		
8. Development of the Immigration Legislation in the Russian Federation	Direct Agreement (Member states)	TBD – Second half 2005/First half 2006
<i>Support for civil society</i>		
9. Civil Society Participation in Environmental Decisions	Direct Agreement (REC)	Second half 2005/First half 2006
II. SUPPORT TO THE PRIVATE SECTOR DEVELOPMENT AND ASSISTANCE FOR ECONOMIC DEVELOPMENT		
<i>Support to the integration of Russia into the international economy</i>		
10. Elimination of Trade Barriers - Sanitary and Phytosanitary Measures	(Services/supply)	Second half 2005/First half 2006
11. Export Control of Dual Use Items	(Services/supply)	TBD – Second half 2005/First half 2006
12. EC-Russia Steel Industry Restructuring Facility	(Services/supply)	TBD – Second half 2005/First half 2006
13. Modernisation of the Customs Transit System	(Services/supply)	TBD – Second half 2005/First half 2006
14. Support to Russian Export-oriented Innovative SMEs	(Services/supply)	TBD – Second half 2005/First half 2006
<i>Reform of financial sector</i>		
15. Russia - Bank Institution Building/SME Finance	Direct Agreement (EBRD)	TBD – Second half 2005/First half 2006

16. Development of Russian Financial Markets	(Services/supply)	TBD – Second half 2005/First half 2006
17. Transition to IFRS in the Banking Sector	(Services/supply)	TBD – Second half 2005/First half 2006
<i>Support to policy dialogue in specific domains</i>		
18. Harmonisation of Technical Standards in the Gas Sector	(Services/supply)	TBD – Second half 2005/First half 2006
19. Renewable Energy Policy and Rehabilitation of Small Scale Hydro Power Plants	(Services/supply)	TBD – Second half 2005/First half 2006
<i>Support to infrastructure master planning</i>		
20. Gas and Oil Transport Network Observation System and Modernisation Plans	(Services/supply)	TBD – Second half 2005/First half 2006
III. SUPPORT FOR ADDRESSING THE SOCIAL CONSEQUENCES OF TRANSITION		
<i>Social and health sector reform</i>		
21. Rehabilitation System Services for the Disabled	(Services/supply)	TBD – Second half 2005/First half 2006
22. Primary Health Care Facilities at Federal and Municipal Levels	(Services/supply) Negotiated procedure	TBD – Second half 2005/First half 2006
<i>Education</i>		
- TEMPUS	Call for proposals	May 2005
<i>Municipal services</i>		
23. MISP II	(Services/supply)	TBD – Second half 2005/First half 2006
<i>Special Action for Kaliningrad Region</i>		
24. Improving Health Status of Kaliningrad Region	(Services/supply) Direct Agreement	TBD – Second half 2005/First half 2006
25. Vocational Training and Labour Resources in Kaliningrad	(Services/supply)	TBD – Second half 2005/First half 2006
IV. SMALL PROJECTS PROGRAMMES		
Institutional Building Partnership Programme – Civil Society	Call for proposals	TBD – Second half 2005/First half 2006

8.4 Contracts implementing the agreement

- (a) The contracts which implement the financing agreement have to be signed by the two parties within three years of the Commission's adoption of the financial commitment. This deadline may not be extended. At that date any non-contracted funds will be cancelled.
- (b) Any contract that has not given rise to any payment within three years of its signing will be terminated automatically and the funds cancelled.

8.5 Monitoring, evaluations and audits

Appropriate planning and regular monitoring throughout implementation in the form of regular reports will take place. Evaluation during implementation and at the end of the programme, audit of programme will also take place.

Point 8.4(a) does not apply to audit and evaluation contracts, which may be signed later.

9. COST AND FINANCING

The Programme will be financed through a Community grant of €94 million, allocated as follows among the different actions:

<u>Area of Cooperation</u>	M €
I. Support for institutional, legal and administrative reform	25
<p>Administrative reform</p> <ul style="list-style-type: none"> - Management of Sub-National Public Finance - Public Procurement Reform II - Legal Assistance to the State Duma - Local and Regional Support <p>Judicial reform</p> <ul style="list-style-type: none"> - Alternatives to Imprisonment <p>Fight against organised crime and terrorism</p> <ul style="list-style-type: none"> - Prevention of Human Trafficking - Interpol Network Modernisation <p>Migration issues</p> <ul style="list-style-type: none"> - Development of the Immigration Legislation in the Russian Federation <p>Support for civil society</p> <ul style="list-style-type: none"> - Civil Society Participation in Environmental Decisions 	
II. Support to the private sector development and assistance for economic development	35
<p>Support to the integration of Russia into the international economy</p> <ul style="list-style-type: none"> - Elimination of Trade Barriers - Sanitary and Phytosanitary Measures - Export Control of Dual Use Items - EC-Russia Steel Industry Restructuring Facility - Modernisation of the Customs Transit System - Support to Russian Export-oriented Innovative SMEs <p>Reform of financial sector</p> <ul style="list-style-type: none"> - Russia - Bank Institution Building/SME Finance - Development of Russian Financial Markets - Transition to IFRS in the Banking Sector <p>Support to policy dialogue in specific domains</p> <ul style="list-style-type: none"> - Harmonisation of Technical Standards in the Gas Sector - Renewable Energy Policy and Rehabilitation of Small Scale Hydro Power Plants <p>Support to infrastructure master planning</p> <ul style="list-style-type: none"> - Gas and Oil Transport Network Observation System and Modernisation Plans 	
III Support for addressing the social consequences of transition	18
<p>Social and health sector reform</p> <ul style="list-style-type: none"> - Rehabilitation System Services for the Disabled - Primary Health Care Facilities at Federal and Municipal Levels 	

Municipal services - MISIP II	
Special Action for Kaliningrad Region - Improving Health Status of Kaliningrad Region - Vocational Training and Labour Resources in Kaliningrad	
IV Small Projects Programmes Institutional Building Partnership Programme – Civil Society Tempus programme	6 10
Total	94

10. GOVERNMENT COMMITMENT AND CONDITIONALITIES.

Assistance is provided on the basis of the existence of the necessary elements for the continuation of co-operation through assistance, in particular respect of democratic principles and human rights, as well as the obligations of the Russian Federation as set out in the Partnership and Co-operation Agreement.