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USAID/RUSSIA

RESULTS REVIEW

AND

RESOURCE REQUEST

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Russia: Results Report and Resource Request (R4)

INTRODUCTION

USAID's principal role in Russia has been to provide appropriate technical expertise and training opportunities as well as a modest measure of material support to **enable Russians to move as rapidly and successfully as possible through the country's economic and political transition.** Between FY 92 and FY 95, USAID programmed approximately \$1.4 billion for these purposes through 12 regional projects and one bilateral project. Originally, FY 98 was to be the last year for new budgetary commitments and the program would be closed by the year 2000.

USAID has developed good working relationships with a broad group of reform-minded Russians both in Moscow and in the regions (oblasts and cities), both in government and in the private sector. Dozens of American companies, universities, and private voluntary organizations have joined USAID as partners in implementing the program. USAID has played a pathbreaking role for the World Bank in a number of areas: housing, legal reform, capital markets development, environmental reforms, energy development, and enterprise restructuring. Through periodic meetings on sectoral programs, USAID has fostered collaborative efforts with other donors in Russia.

In FY 95, USAID's outlook and role in Russia were re-assessed by both Congress and the U.S. administration. The Russian Government's pursuit of the Chechnyan conflict and the proposed sale of nuclear equipment to Iran sparked Congressional initiatives to reduce the allocation of budgetary resources for the assistance program. U.S. veterans' reactions to the Russian officers' resettlement program (which was part of Clinton-Yeltsin accords on the independence of the Baltic States) led to a rescission of funds already allocated for the program. The balanced budget debate between the Administration and Congress intensified budget pressures for the foreign aid program as a whole, but as an "unpopular" program, USAID's program in Russia has strongly felt the resulting downward budgetary pressures. The State Coordinator's Office for the New Independent States (S/NIS) added its own budget-cutting agenda and reduced still further the funds available for USAID-managed assistance activities in Russia.

In FY 96, therefore, the USAID program in Russia has moved swiftly toward closedown. This R4 is submitted with that in mind. It provides for bringing ongoing assistance activities in Russia to productive conclusions and to preparing the groundwork, as much as possible, for activities which cannot be completed in FY 97

and FY 98 to become sustainable in some other way: through the receipt of other external funding, internal self-financing, or commercial borrowing. Because USAID/Russia has not submitted a Strategic Plan incorporating its revised Results Framework, this R4 presents this Framework in summary narrative and graphic form as well as using it for the discussion of performance and results.

The Results Framework (and its use in this R4) incorporates the following assumptions:

- The Soviet Union will not be re-established, regardless of the outcome of the June Presidential election. But Russia will remain *primus inter pares* among the New Independent States (NIS) and will seek to develop greater integration with them. The success of Russia's economic and democratic transition is, therefore, of interest to the U.S. for reasons of regional stability as well as for its own sake. USAID should continue to focus technical and financial assistance in ways which best support the accomplishment of this transition.
- The June Presidential elections in Russia will provide new information as to whether or not Russia will continue on the path of economic and democratic transition. All implications of this information will not, however, be understood immediately, especially in the case of a communist victory.

Rather, it is assumed that it will take a period of three to four months, at a minimum, for the policy directions of the new government to become clear and USAID must be attuned to the evolving situation and flexible in response. It would be foolish for USAID to modify prematurely its FY 96 program in anticipation of the worst-possible scenario, i.e., a return to a command economy and abolition of democratic processes. Similarly, it would be premature to count on a best-possible outcome, i.e., a reinvigorated economic reform program with wide popular support.

- Both Congressional and Administration pressure on the Russia assistance funding levels to be channeled through USAID will increase. Any currently planned level of outyear funding is, therefore, highly unlikely to be maintained. A more pessimistic level, including that of zero, is always taken into account.

PART I. FACTORS AFFECTING PROGRAM PERFORMANCE

Development assistance to Russia is managed in a **constantly evolving political and economic environment**. Currently, this environment is defined by events which indicate Russia's partial, but far from complete, transition to a market economy and a democratic political system. There has been considerable progress toward reform and replacement of the old Soviet-style systems. The transition has been difficult. Successful reforms in various sectors have been met with partial setbacks. This dynamic tension between forces for change tugging against the proponents of the status quo can be expected to continue as the country evolves through its historic re-invention.

A. Economic Policies: The Underpinnings of Change

From the breakup of the Soviet Union in late 1991 until 1995, Russia's economic reform has been on a roller coaster. Dramatic economic change began with the **freeing of most prices** in 1992 under the direction of then-Prime Minister Gaidar. This allowed the economy to move rapidly toward a market equilibrium for the first time in over 60 years. The freeing of prices destroyed, or at least contributed to destruction of, the information monopoly that was essential to maintenance of Soviet power.

Unfortunately, the necessary pain of price liberalization was exacerbated by **loose monetary policy** in 1992/93. This resulted, among other things, in **soaring inflation rates**. Unchecked inflation, and lack of political will to bring it under control, caused the resignation of Gaidar and other pro-reform Cabinet members, apparently derailing the move toward a market economy. But inflation was briefly brought down again in 1993, only to be reignited by lack of budgetary controls in 1994. The long term impacts of these periodic derailments still reverberate throughout the Russian economy even though, in 1995, the Government took firm steps to squelch inflation and has done so successfully.

The **mass privatization program** carried out in 1992-94 broke the government's monopoly on production and distribution of goods and services. Virtually overnight, a nation of private owners and entrepreneurs was created from a population of public sector managers and workers.

Mass privatization was successful in laying the groundwork for broad participation in the market economy, but the new majority owners (the former managers and

workers) have found it difficult to reorient their operations toward a market environment. Some have exploited ownership by short-term profit taking and depletion of assets. Others have attempted to retain tight control over ownership and have, therefore, been unable to mobilize necessary investment capital either from foreign partners or domestically. Still others have simply found that they lack the skills and information needed to operate in a market environment. A long tutelage in working with the command economy of the Soviet system left them ill-equipped to act as entrepreneurs.

The phasing-in of needed complementary legal, regulatory, and institutional reforms has also made the business environment more fluid and uncertain than many of the new owners and investors would have like. There was rapid progress in 1994 in establishing the basis for commercial law and the passage of the Civil Code in 1995 was a landmark event. Capital market institutions were developed in 1994 and 1995, and are now beginning to operate as expected. Tax reform in 1996 is still very much in process. But the still-incomplete nature of these reforms means that problems still remain.

In early 1995, however, the Government and Central Bank embarked on a **renewed program of economic stabilization**. The program consisted of a tight budget, gradually decreasing inflation through non-inflationary financing of the budget deficit, and further liberalization in the trade and energy sectors. The stabilization of the ruble at approximately 4,300-4,900 to the dollar was also included in the program's measures. The program was accompanied by real progress in establishing a pro-market legal framework. Following four years of annual declines in Gross Domestic Product (GDP) and industrial production, Russia's economy demonstrated signs of stabilization in 1995. Important reforms were implemented regarding taxation, export liberalization and regulation of national monopolies.

The **Russian economy** appears now to be near the bottom of the "J-curve" that many Eastern European countries experienced after the collapse of Soviet rule. GDP is set to grow for the first time in several years. The OECD predicts a two percent rise in real growth for 1996 and four percent next year. Inflation is dramatically down from the very high annual levels of 1000 percent in 1992-1993 to a predicted annual rate of 100 percent in 1996 and 60 percent in 1997 (the monthly February, 1996 rate was only 2.6 percent). Unemployment is growing, but has been lower than initially expected in 1992.

The fiscal deficit, supported by large cuts in centralized agricultural subsidies, fell by 50 percent in 1994 and 1995. The successful completion of IMF loan agreements

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in 1995 and 1996 emphasize the growing confidence in the economic situation by international lenders. Laws regarding the establishment of new and small businesses are unclear, but this has not stopped Russian entrepreneurs starting new businesses. Over the past three years, the Government estimates that there are 900,000 new businesses employing 14 million people.

The upward movement in statistics at the aggregate level and the entrepreneurial energy which is increasingly being felt at the local level are, however, countered by downward movement in real wages and fluctuations in household incomes and the continued deterioration of important social institutions, especially health and education.¹

In spite of the ups and downs, some **irreversible economic restructuring** of the former Russian/Soviet economy has been achieved. The full ramifications, for example, of the privatization of state-owned assets are not yet fully understood, but most observers suggest that the process of increasing the efficiency of newly privatized industry will continue. Almost half of all Russian workers work in private firms, with 1995 data suggesting half of all household income is from the private sector. Although some political groups advocate renationalization and a return to a more centrally-directed economy, the big economic debate is between those who support an open, liberal market economy and those who advocate a closed corporate system.

There are still many economic reform mountains to climb. Important investments in business and industry are still deterred by irrational tax policies, including extremely high taxes on profits. Investment rates have been steady for the years 1994-96, but are low for a country the size of Russia. The newly created capital markets and financial institutions provide the mechanisms for firms to raise needed capital, but owners and managers must be willing to meet the standards of financial disclosure and transparency demanded by such mechanisms. The Extended Finance Facility agreement recently concluded with the IMF will pump \$340 million per month into the economy, and may provide the discipline necessary for pro-reform policy measures to be adhered to. Gradually, the lack of a comprehensive policy, legal and regulatory framework is being overcome.

USAID/Russia's support for the economic reform program has, of necessity, been

¹ Popkin, Barry et al. Russia Longitudinal Monitoring Survey. Economic Conditions in Russia, 1995. University of North Carolina. March, 1996.

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highly flexible and responsive to Russian leadership and to the reality of the evolution of priorities as different reform objectives were addressed in turn. USAID assistance emphases have been on supplying necessary information and skills, supplementing the budgets for key programs, and sharing the experiences of reforms elsewhere to help Russia avoid wrong turns and costly mistakes and to proceed more rapidly than would otherwise be possible. The results described below indicate that USAID support has had a significant degree of impact.

With a modest level of financing in FY 96 - FY 98, and with continued Russian commitment to the establishment of a market economy, USAID/Russia should be able to leave behind a set of basic economic institutions and a growing population of Russians able to provide the leadership, entrepreneurship, and professional skills necessary for maintaining the momentum of economic reform.

B. Political Change: The Peoples' Choice

There is no doubt that **democracy has taken root in Russia** since 1991, despite the violent confrontation between the President and the Duma in 1993. Elections have occurred as scheduled. Russian election commissions and outside observers have repeatedly pronounced them to be "free and fair." A Constitution replacing the Soviet-era document was approved in 1993, clearly setting forth the separation of powers between the legislative and the executive, and abolishing the monopoly of power previously accorded the Communist Party.

A raucous **multi-party system** exists. Elections have resulted in a legislature (i.e., the elected lower house, or Duma) that is capable of vetoing executive branch decisions. Perhaps here, more than any other area, it is important to mark the movement away from 70 years of arbitrary, one-party dictatorship with no democratic experience beforehand. The current chaos associated with the campaign for the Presidency by candidates from many parties can only be expected in a new democracy such as Russia.

Evidence of rampant corruption mars this picture of positive political reform as alarming crime statistics have led to a widespread perception that democracy and a market economy are associated with a **deterioration of law and order**. But Russians have expressed concern with the economic instability described above and the deterioration of law and order through the ballot box, reaffirming, in a backhanded way, the power of democratic process.



The political transition has, therefore, undergone several critical phases. The heady commitment to the Yeltsin government in 1991 gradually dissipated. Conservative and nationalistic candidates were endorsed for Parliament in 1993 and Communists dominated in the December 1995 Parliamentary elections. To achieve broader appeal and prepare for June 1996 elections, President Yeltsin countered the Communist challenge by replacing several key reformers in his cabinet with more centrist or conservative officials. To date, the two most important changes have been the replacement of Foreign Minister Andrei Kozyrev with Yevgeny Primakov and the replacement of First Deputy Prime Minister Anatoly Chubais with Vladimir Kadannikov.

Nevertheless, the democratic process has been sustained and the Russian Government continues to express its commitment to an open and democratic political system within the framework of a market-based economy.

Information processed through **independent media** has played a key role in ensuring a well-informed population that openly participates in political decisions. Widespread knowledge of events in Chechnya, for example, are widely attributed to the aggressive reporting of the independent media. The resolution of this situation is, therefore, a principle concern of the Russian government and has placed human rights issues firmly on the political agenda.

The war in Chechnya deserves special note as a factor which has influenced not only the course of political events in Russia but also the nature of relations between the U.S. and Russia. It has certainly negatively affected the progress of both the economic and democratic transitions in Russia. Funds supporting the war could, it is argued, better be spent on retooling the economy for peacetime production or providing a safety net for those on fixed incomes. President Yeltsin has pledged to end the war before the election -- should he fail, his candidacy will be severely weakened. This is already being interpreted by observers in the U.S. as a reason for withdrawing further support from the Government he heads.

The June elections themselves are viewed as a potentially destabilizing factor both within Russia and in Russian-American relations. As the campaigns get underway, it is certain that economic policy will be a key issue and the speed of economic reform and financial stabilization may be influenced by electoral politics. The voters are likely to be presented with a **choice of a reform-oriented incumbent against a untried Communist candidate** with an unclear platform. Some argue that if the Communist candidate wins the election, all reforms will be rolled back. Others argue that such a conclusion is premature, especially noting the Communist-dominated

Duma's recent passage of reformist securities market legislation.

While no one can predict the outcome of the elections, or what would happen if the Communist Party combines its control of the legislative with control of the executive, the private sector appears reasonably confident that reform will continue. For example, in a *Wall Street Journal* article, dated February 21, 1996, Cargill, a large U.S. food packaging supply company, stated that it will continue large investments in Russia no matter what the outcome of the election. Coca Cola has said the same. The recent agreement for the IMF \$10 billion loan also indicates that the international community is banking on the prospects for further reform.

Russia has historically experienced swings toward isolationism and xenophobia. Given the dramatic changes in the country over the past few years, it is not surprising to find such a swing occurring with an electorate in Russian repeating what electorates in many East European countries have already done - bringing back Communist officials. The results in Russia may be as mixed as they are in Eastern Europe. Some of the same voters who are likely to vote for the Communist candidate in June also own small businesses and support further development of this sector, despite the fact that the very existence of small business is anathema to Communist ideology.

USAID/Russia has actively supported and promoted the development of the democratic process and the formation of political parties -- but claims no responsibility for the choices which Russian voters make and the actions which elected leaders take. USAID/Russia actively supports and advocates free and independent media in Russia -- but does not necessarily share the views and opinions which these media present. USAID/Russia actively supports and promotes the growth of the nongovernmental sector as a means of broadening political participation outside of the electoral process -- but does not control the political views which these NGOs hold and advocate.

It must be recognized, however, that the choices which voters and elected officials make, the views which are expressed by the media, and the issues for which NGOs provide effective advocacy do, however, affect the funding levels which Congress has been willing to provide for USAID's program in Russia. To this extent, Russia's political transition has a direct impact on USAID/Russia's ability to support its progress.

C. Sustainable Changes: Are There Any?

In the past year, several **structural changes** in both economic and political systems have occurred in Russia that appear to be sustainable and would be difficult to reverse. The massive privatization program, for example, is still ongoing but largely concluded; complete renationalization is possible but unlikely. The first two parts of a **new Civil Code**, containing the fundamental principles of both civil and commercial law appropriate for a market economy, were passed by elected Dumas. The Civil Code guarantees basic human rights for Russian citizens. Withdrawing these rights also seems unlikely.

Many Russians have also taken ownership of their own homes for the first time. By raising maintenance and utility fees to market value, over the next five years it will be possible for a housing market to develop and reduce the housing shortage which has plagued so many Russian families. Making this reform sustainable has required the development of a means-tested **housing subsidy** program. Shortly after USAID-supported development and testing, this program rolled out to more than 90 percent of the cities and towns of Russia meeting an essential need for pensioners and other low-income Russians.

Amid a number of actions which have been perceived as slowing or even reversing the economic reform process, President Boris Yeltsin signed a **Land Decree**, which, for the first time since 1917, clearly guarantees the Russians as individuals the right to buy and sell land, including agricultural land.

All of these are **examples of fundamental structural changes**; the list is not exhaustive. Are they sustainable? For the most part, Western donors and other observers of the Russian reform scene argue that these changes will not be rolled back, that Russia has gone too far down the reform road and there is no viable "third path." Others argue that the majority of the electorate says otherwise. However, it is too early to say to what degree, if any, the kinds of positive changes which USAID has supported in Russia would be reversed in the event of a Communist victory in the Presidential elections in June, 1996.

PART II. RESULTS REVIEW

A. Introduction to the Results Framework for Russia

Before 1995, USAID's program in Russia was largely funded out of the twelve regional projects which the ENI Bureau managed for the NIS as a whole.² USAID/Russia submitted program budgets based on plans for sectoral programs but these budgets were managed in Washington with a great deal of flexibility. The Mission's emphasis was on developing working relationships in Russia and responding, in the most rapid and flexible way possible, to the needs for support which were identified on the ground. With a small staff and a large budget (especially in FY 94), the USAID/Russia program was short on focus and formal long-term planning.

By 1995, however, the ENI Bureau began the process of putting all of the NIS activities into a consistent strategic framework at the same time as the Mission was given more authority for planning and managing its own budget on a bilateral basis. The Bureau's menu of strategic objectives and intermediate indicators was presented to the USAID/Russia staff in early 1995 and, through a process of discussion, the Mission developed a set of intermediate indicators and targets for all but one the ENI objectives. This first-draft Results Framework (RF) was consistent with both the country strategy developed in November, 1994 and with the forward-budgeting process underway at that time. It was, however, still considered to be tentative, as the ENI rules regarding rewording of the ENI Bureau's strategic objectives and intermediate indicators were highly restrictive and the Mission definitions of targets were not complete.

The 1996 Revision Process

The Mission began the process of developing the current Results Framework in early 1996, using the 1995 version as a starting point. The revision was made both simpler and more difficult as ENI relaxed the rules on the modification of Bureau strategic objectives and encouraged independent development of Intermediate Results (which were comparable to but defined somewhat differently than the intermediate indicators of the prior Framework).

² In 1994, a special project, the Energy/Environment Commodity Import Program (EECIP), was added for Russia only, with one-time funding.

The real work began with the arrival of the Results Framework team of experts from Washington in the beginning of March. Development of the RF and re-engineering of Mission staff were taken on together. At that time, and for the first time in USAID/Russia, Strategic Objective Teams were created and were given the task of working through relevant Strategic Objectives (SOs) and developing a focussed, well-thought-out set of Intermediate Results (IRs). Teams worked together for an average of two to three hours a week on thorough development of the Results Framework (RF) for each SO. The resulting RFs for each SO are presented in the next section of this R4.

As a result of this revision exercise, two SOs have been dropped: one, SO 1.1, declared successful and closed; the other, SO 3.1, beyond the Mission capacity to deliver. The other Strategic Objectives are slightly different from the ENI Bureau SOs.³ Modifications generally reflect a narrowing of focus to define more precisely what the Mission is trying to accomplish with the knowledge that only limited funds are available to ensure successful achievement and sustainability of results. The number of Intermediate Results is fewer than in the prior Framework and their relevance and rationale more solidly substantiated.

Managing the Re-Engineering Process Implicit in the RF

The recent Results Framework process and the creation of Strategic Objective teams made the re-engineering process a reality for USAID/Russia staff. In many ways, it reaffirmed the management approach already in place and had a positive impact overall in terms of tightening program focus. For some, the process was, for the first time ever, a real opportunity to grasp the Russian assistance program in its entirety. The impact of the process on FSNs in many cases has been profound. Teamwork and holistic thinking about activity relationships and real impact/results are new and positive ways of looking at what they are doing. A few staff have remarked that the team concept has provided an opportunity otherwise not available to be exposed to different ideas and ways of looking at problems.

USAID/Russia's approach to management has been that the people closest to the customers -- the activity managers -- are the ones who have the best knowledge of choices to make and the capacity to make decisions about activity directions and priorities. In the dialogue that takes place between those staff members and the Mission management, reasoned decisions about the overall direction of the program

³ See the Annex for a table comparing the two versions of each SO.

are taken. The result is constant communication and discussion among all levels of staff but generally within an office context (i.e., the Private Enterprise and Economic Restructuring Office, the Office of Democratic Initiatives and Human Resources, the Office of Environment and Health, the Office of Energy and Technology and the General Development Office).

In reengineering terms, people closest to the customers and development partners **should** be the ones given the responsibility for making reasoned choices, risk-taking behavior by managers should be encouraged, final decisions should be made through constant discussion and dialogue, and accountability for choices is expected.

Difficulties Ahead

Re-engineering and effective use of the Results Framework will, however, need further attention well into the next R4 cycle. While many have taken to the RF and SO team approach with enthusiasm, others have expressed reactions which run along a continuum from total skepticism and refusal to participate to a mild interest and full time commitment. Paradoxically, many of the staff most interested in extending these new approaches are not enthusiastically supporting the process.

Several reasons are evident. The first is a question of **priorities for time**. Because of the magnitude of USAID's engagement in Russia and because of the perceived importance of the USG involvement at this crucial time, staff put a high priority on keeping fully abreast of the rapidly changing economic and political situation here. Even without the extra time necessary to produce a quality Results Framework, staff in Russia are literally overwhelmed by the time demands associated with managing their activities, keeping in constant contact with their customers and partners, and keeping up on trends and potential in the fluid economic and political situation here.

A second reason is the time needed to **respond to requests for information** from different sources in Washington. These include requests coming in from different offices in USAID/W (that is, they do not come in through a central source) and from S/NIS/C, many times without clearance or sorting by USAID/W. These ad hoc requests for information are more often than not urgent requests requiring staff to drop whatever they are doing and find specific information which, through no fault of their own, may not be readily available. In essence, for a majority of the staff, the Results Framework (both its design and use as a management and reporting tool) imposes an extra layer of work added on to an already overwhelmingly busy work schedule.

Third, a majority of the staff see the Results Framework/team exercise as futile. Even though many fully participated in the process during the Mission level process, the vast majority of staff believe that, in spite of bringing their professional expertise, knowledge of the Russian situation, commitment, and extensive contacts to bear in the development of the Russia program, **budget and program decisions will continue to be made in Washington** with little or no consultation. The reengineering rhetoric stating that decisions and authority will be delegated to the field, risks will be rewarded, and that results for program management will be expected is clearly not yet the reality. Unless signs are forthcoming from Washington that decisions can be made at the field level, what little enthusiasm there is for SO team participation will die quickly and staff will continue to put priority on managing their individual activities.

There are two fundamental solutions to these problems. The first is to ensure **better communication** between Washington and Moscow on priority assistance areas. This communication can be enhanced by rationalizing communications patterns, e.g., centralizing communications, improving the MRS and using it, and increasing program dialogue across offices in Washington as well as Moscow. The second is for all parties to **understand** the disconnect between reengineering rhetoric and the reality of the very politically visible and fluid program in Russia. This will temper expectations and permit forward movement in more specific, and modest, ways.

A Comparison of Strategic Objectives of ENI and USAID/Russia

Strategic Goal 1: Foster the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed.	
ENI Strategic Objective 1.1: Increased transfer of state-owned assets to the private sector.	This is no longer a strategic objective for the Russian program.
ENI Strategic Objective 1.2: Increased soundness of fiscal policies and fiscal management practices.	USAID/Russia SO 1.2: Tax system reformed to correspond to a decentralized market economy.
ENI Strategic Objective 1.3: Accelerated development and growth of private enterprises.	USAID/Russia SO 1.3: Accelerated development and growth of private enterprises.
ENI Strategic Objective 1.4: A more competitive and market responsive private financial sector.	USAID/Russia SO 1.4: A robust and market-supportive financial sector.
ENI Strategic Objective 1.5: A more economically sound and environmentally sustainable energy system	USAID/Russia SO 1.5: A more economically and environmentally sound energy system.

Strategic Goal 2: Support the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.	
ENI Objective 2.1: Increased, better-informed citizens' participation in political and economic decision-making.	USAID/Russia SO 2.1: Increased, better-informed citizens participation in political and economic decision-making.
ENI Strategic Objective 2.2: Legal systems that better support democratic processes and market reforms.	USAID/Russia SO 2.2: Legal systems that better support democratic processes and market reforms.
ENI Strategic Objective 2.3: More effective, responsible, and accountable local government.	USAID/Russia SO 2.3: More effective, responsive and accountable local government in selected cities.

Strategic Goal 3:	
Respond to humanitarian crises and strengthen the capacity to manage the human dimension of the transition to democracy	
ENI Strategic Objective 3.1: Reduced human suffering and crisis impact.	This is not a strategic objective for USAID/Russia
ENI Strategic Objective 3.2: Improved sustainability of social benefits and services.	USAID/Russia SO 3.2:
ENI Strategic Objective 3.3: Reduced environmental risks to public health	USAID/Russia SO 3.3: Increased capacity to deal with environmental pollution as a threat to public health.

B. Results Review

SO 1.2 **Tax System Reformed to Correspond to a Decentralized Market Economy**

1. The Results Framework

Development Hypotheses

Significant reform of the tax system in the Russian Federation is one of the critical prerequisites for stabilization of the Russian economy and for its transformation into a developed market economy. The Government of Russia's current tax structures are not compatible with the establishment of a competitive, market economy, do not provide sufficient revenues for the Government, and are neither efficient, fair, or simple to administer. Revenue shortfalls contribute to inflation when they are financed through expansion of the money supply. The current tax structure provides disincentives to business investment, does not encourage the financial restructuring of enterprises, and is subject to very low rates of tax compliance.

USAID/Russia, therefore, proposes to support Russia's efforts to overhaul its tax system by assisting in the development of a tax system which is appropriate to a decentralized market economy. This statement of the SO emphasizes the tax system's role in the economic transition and replaces that of ENI SO 1.2, "increased soundness of fiscal policies and fiscal management practices."

Critical Assumptions

In specifying this strategic objective and intermediate results which it expects to accomplish by 1998, USAID/Russia assumes that:

- the current trend of decentralization of economic and political authority and responsibilities among different levels of the government will continue;
- the draft Tax Code developed with USAID assistance in 1995/96 will be introduced to the Duma and approved in some form;
- the State Tax Service will become more receptive to external technical assistance than it has been to date; and
- the World Bank, International Monetary Fund and other donor organizations will continue to partner with USAID in areas relative to rationalization of the tax system in Russia.

Causal Links

The causal links of the Results Framework proposed by USAID/Russia for this SO are evident in Chart 1.2. This SO can be achieved only when three conditions (or Intermediate Results) are in place:

- IR 1.2.1 The tax system is designed to be fair and efficient, with an internally consistent set of laws and regulations
- IR 1.2.2 The tax system generates adequate and predictable revenues
- IR 1.2.3 There exists a sound and transparent separation of fiscal authorities between federal, regional and local Governments.

Other, lower-level, intermediate results are required to achieve each of these Intermediate Results (IRs).

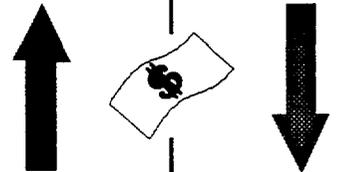
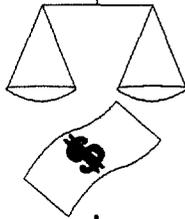
In order to get a fair and efficient tax system,

- IR 1.2.1.1 A legal framework should be properly designed. Work on a New Tax Code is crucial in Russia. To a great extent, progress in passage and implementation of this new Code will predetermine the progress in other related areas.
- IR 1.2.1.2 Additionally, new laws and procedures for tax collection must be instituted. These could include transition rules (such as the move from cash to accrual accounting, rules for rate structure changes, etc.) to support the implementation of the tax code.
- IR 1.2.1.3 Restructured and streamlined tax administration which provides services to taxpayers and organizes tax collection is a final essential element in the creation of an efficient tax system.

IR 1.2.2, adequate and predictable revenue generation is the primary function of tax system from the point of view of a state budget. To some extent, expected rates of revenue generation will depend on having laws, procedures, and administrative systems for efficient tax collection in place (IR 1.2.1). However, adequate generation of revenue also depends on the quality of revenue forecasts and on

Strategic Objective 1.2
Tax System Reformed to Correspond to a De-centralized Market Economy

Timeframe: 2000
Development Partners:
 IMF, WB, EW, MoF, STS, Parliament, Local Government



IR 1.2.1:
Tax System Fair and Efficient

Timeframe: 2000
Development Partners:
 IMF, WB, EU

IR 1.2.1.1
Tax Code Passed

Timeframe: 1997
Development Partners:
 IMF, MoF

IR 1.2.1.2
New Laws and Procedures for Tax Collection Instituted

Timeframe: 1999
Development Partners:
 IMF, WB, STS, MoF

IR 1.2.1.3
Tax Administration Restructured and Streamlined

Timeframe: 2000
Development Partners:
 IMF, WB, STS, EW

IR 1.2.2
Adequate and Predictable Revenue Generation

Timeframe: 2000
Development Partners:
 IMF, WB, EW, STS, MoF, Local Government

IR 1.2.2.1
Revenue Estimation Models Completed and Used

Timeframe: 1997
Development Partners:
 STS, MoF

IR 1.2.2.2
Real Property Taxes Realigned to Reflect Assessment at Market Values

Timeframe: 2000
Development Partners:
 MoF, Local Government, WB

IR 1.2.3
Sound and Transparent Separation of Fiscal Authorities Between Federal, Regional and Local Governments

Timeframe: 2000
Development Partners:
 WB, Parliament, MoF, Local Government

IR 1.2.3.1
Authority for Property and other Taxes Increased at Lower Levels

Timeframe: 1998
Development Partners:
 MoF, Local Government, WB

IR 1.2.3.2
Objective Criteria and System Developed for Transfer of Resources from Center to Regions

Timeframe: 1999
Development Partners:
 Parliament, MoF, WB

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PERFORMANCE ASSESSMENT

Table I - Performance Data

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 1.2	Tax System Reformed to Correspond to a De-centralized Market Economy	Investment in Fixed Assets	Definition: fixed capital formation increases as a % GDP Unit: %	1991 1992 1993 1994 1995	25.1 19.3 23.8 24.3 17.7	20		TBD		TBD		TBD		TBD	
		Rate of Capital Flight	Definition: Russian offshore deposits Unit: % of change in Russian offshore deposits (expert estimations)			TBD		TBD		TBD		TBD		TBD	
IR 1.2.1	Tax System Fair and Efficient	Tax Arrears	Definition: declining tax arrears Unit: as % of Taxes Assessed	1995	7.8	TBD		TBD		TBD		TBD		TBD	
IR 1.2.1		Rate of Tax Compliance	Definition: tax compliance, partial tax compliance Unit: enforced self assessment system (expert estimation)	1995											

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 1.2.1		Reduction of Tax Exemptions	Definition: Relative Value of Exemptions Reduced Unit: % of Exemptions Reduced out of Total Value of Exemptions	1995	TBD	TBD										
IR 1.2.1		Cost of Tax Administration as % of Tax Revenue	Definition: tax Cost/Revenue Ratio lowered Unit: %	1995	0.5	TBD		TBD		TBD		TBD		TBD		
IR 1.2.1		Taxpayers' Cost of Tax Filing Process	Definition: simplification of tax filing process Unit: expert estimations	1995	TBD	TBD		TBD		TBD		TBD		TBD		
IR 1.2.1.1	Tax Code Passed	Adoption of Tax Code	Definition: tax code in place Unit: tax code	1995	Drafted	Tax Code Law adopted		Tax Code in Effect								
IR 1.2.1.2	New Laws and Procedures for Tax Collection Instituted	Consistent Set of Decrees and Regulations Promulgated	Definition: part 1 of tax code passed Unit: tax code	1995		1										
IR 1.2.1.2		Consistent Set of Decrees and Regulations Promulgated	Definition: VAT charged to accrual base Unit: VAT code change	1991	0			1 (Dec.)								

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 1.2.1.2		Consistent Set of Decrees and Regulations Promulgated	Definition: additional changes Unit: code changes as a group	1991	0					1						
IR 1.2.1.2		Urgent Revenue Measures Instituted to Regulate Budget Deficit when Needed	Definition: Urgent Revenue Measures adopted Unit: measures adopted	1995	1											
IR 1.2.1.2		Yield from Audit Process	Definition: Total Value of Audit Collections as % of taxes collected Unit: %	1995	16	TBD		TBD								
IR 1.2.1.2		Collection Monitoring	Definition: Unit:	1995												
IR 1.2.1.3	Tax Administration Restructured and Streamlined	STS Reorganized along Functional Lines	Definition: Unit: reorganized system in place	1995	Reorganization began	1		TBD								
IR 1.2.1.3		Improvement of Taxpayer Services	Definition: education materials available and organized Unit:	1995		yes		yes								

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
				YEAR	VALUE	1996		1997		1998		1999		2000			
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
IR 1.2.1.3		STS personnel trained	Definition: people trained Unit: person	1995	100	100		TBD									
IR 1.2.2	Adequate and Predictable Revenue Generation	Total Tax Revenue as % of GDP	Definition: rising Tax Revenue as % of GDP ratio Unit: %	1995	23	24		TBD		TBD							
IR 1.2.2		Total Tax Revenue Actual vs. Planned	Definition: Actual (as % of GDP)/ Planned (as % of GDP) Tax Revenue Ratio Unit: %	1995	95-105	95-100											
IR 1.2.2.1	Revenue Estimation Models Completed and Used	Models for Receipt Forecasting Delivered and Used (for Stabilization Policy Purposes)	Definition: Models Delivered Unit: forecasting models	1995	1	2		TBD									
IR 1.2.2.1		Models for Tax Policy Analysis Delivered (for Tax Policy Purposes)	Definition: Models Delivered Unit: Policy Analysis model	1995	1	2		TBD									
IR 1.2.2.1		Results of Model Use	Definition: model is used Unit: qualitative improvements	1995		Increased Confidence and Quality of Macroeconomic Analysis		Institutionalize Capabilities to Improve Models by Rwandans									

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
				YEAR	VALUE	1996		1997		1998		1999		2000			
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
IR 1.2.3	Sound and Transparent Separation of Fiscal Authorities Between Federal, Regional and Local Government	Tax Assignments Clearly Specified in New Tax Code	Definition: Specification in a New Tax Code Unit:	1995	-	Tax Code Law adopted		Tax Code in effect									
		Revenue Corresponds with Agreed Responsibilities at Each Level of Government	Definition: Unit:	1995	-	System Worked Out in Tax Code											
		% of Revenue Available at Oblast and Local Levels	Definition: Tax Revenue at Local (non-Federal) Levels as percentage of overall level Unit: %	1995	67	TBD		TBD									
IR 1.2.3.1	Real Property Tax Reassigned to Reflect Assessment at Market Values	Real Property Tax Property Defined in Law	Definition: tax code Unit: tax code adopted/implemented														
IR 1.2.3.1		Property Tax Revenue as % of Total Revenue in Target Regions	Definition: Property Tax Revenue as % of Total Revenue increases Unit: %														

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Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 1.2.3.2	Authority of Local Government to Set Property Tax Rates and Retain Revenue	Local Govt Share of Real Property Tax Receipts	Definition: Unit:	1995												
IR 1.2.3.3	Objective Criteria and System Developed for Transfer of Resources from Center to Regions	Transparent Criteria for Distribution by Formula	Definition: transfer formula in place Unit: formula approved in Tax Code	1995				1								
IR 1.2.3.3		Share of Federal Revenue Distributed to Poorer Regions	Definition: Sharing Practice Determined in Tax Code Unit: sharing practice approved in tax code	1995	Practice exists			1								

*optional: use only when clarification of the performance indicator statement is necessary

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Note: No USAID supported activity is foreseen beyond the latest year with data.

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correspondence of tax base to real market values (especially in case of real property tax, which is currently based upon values unrelated to the market). These are specified in the USAID/Russia Results Framework as lower-level intermediate results:

IR 1.2.2.1 Revenue estimation models completed and used.

IR 1.2.2.2 Real property tax rates realigned to reflect assessment at market values.

IR 1.2.3 focusses on the fiscal relations between various levels of government in a federal government structure. For Russia, the achievement of a sound and transparent separation of fiscal authorities between the federal, regional, and local governments will stem from:

IR 1.2.3.1 Increased authority for lower levels of government to collect and retain that portion of taxes which is adequate for completion of their budget obligations.

IR 1.2.3.3 To improve transparency and accountability in fiscal relations, objective criteria and an appropriate methodology for transferring resources from center among regions should be in place.

2. Progress to Date

Reforms of Russia's fiscal system are in their initial stages, but substantial change has already occurred:

- in the development of a comprehensive new tax code in the Ministry of Finance which, with USAID support, should be completed in 1996;
- in the Ministry of Finance -- with new systems for budget classification, accounting, and treasury operations;
- at the State Tax Service -- where a new tax information system was established (including improvements in methodology of economic forecasting and incomes statistics) and a range of administrative changes (e.g., reorganization along functional lines) are moving into implementation; and

- in the testing of new approaches to local revenue generation through property taxes.

Investment in fixed assets, both by Russians and foreigners, has declined as a percentage of GDP, however, indicating that the strategic objective is not yet achieved. Capital flight, widely felt to be motivated by punitive tax measures, remains a serious concern as it contributes to the continuing decline in GDP.

IR 1.2.1 Tax system more fair and efficient.

The drafting of a comprehensive new Tax Code is nearly complete. It will ultimately have an enormous impact on the restructuring of the Russian tax system, making it both more pro-business and more equitable. As noted in the USAID/Russia strategic plan, the current fiscal system imposes serious disincentives on investors. At the same time, administration of the system is inefficient; the result is inadequate revenue generation. USAID advisory and analytical support has provided the critical underpinnings for the tax code reform process. Submission of the new Code to the Duma is scheduled for mid-1996.

IR 1.2.2 Adequate and predictable revenue generation.

Tax analysis and training programs have already resulted in broader debate on tax options and impacts within the Ministry of Finance. USAID-sponsored technical assistance supported the Ministry of Finance in developing the improved revenue estimation procedures which were used by the Government in the negotiations for the 1995 IMF Standby agreement.

Training in market economics provided to senior Ministry of Finance officials has created a "critical mass" of staff capable of dealing with a new set of concepts and analytical approaches. USAID and U.S. Treasury support resulted in the reduction of agricultural subsidies as a percentage of GDP, which, in turn, stimulated market-oriented activities under SO 1.3, particularly in the agricultural sector.

What has not yet happened is the needed reform of the State Tax Service's administrative structures. In 1995, with support from the IMF and USAID, the STS began to implement its structural reorganization along functional lines. The concept of taxpayers' education and services has been the subject of discussion and is moving toward implementation. Training for both federal and regional tax services has been provided, with USAID funding, at the OECD International Tax Training Center.

IR 1.2.3 Sound and transparent separation of fiscal authorities between federal, regional, and local government.

The draft Tax Code has included a clearer definition of fiscal authorities and responsibilities which should adhere to federal and local levels in a reformed tax structure. But a two-city pilot program supported by USAID to develop needed regulations and procedures for property taxes has already taken a first step toward addressing the question of local taxing authority.

3. Contribution of USAID

USAID and the International Monetary Fund have been credited with effective support of Russia's transformation of its fiscal system. The progress towards achievement of this SO has been made with the help of targeted, high-level technical assistance from the U.S. Treasury Department and KPMG's Barents Group. The wholesale shift in approach to tax policy evidenced in the Ministry of Finance was directly due to USAID-funded training of senior officials.

Life of objective funding to date has been about \$28 million and is expected, under current budget assumptions, to reach \$50 million.

4. Expected Progress in FY 1997 and FY 1998

The Government of Russia has been vigorously pursuing a comprehensive revision of tax laws and decrees since the appointment of Deputy Minister of Finance, Sergei Shatalov, in May, 1995. Needed tax reforms are far-reaching in scope (the fact that virtually the entire set of tax laws needs to be replaced with laws more appropriate to a market economy) and scale (involving the need to re-train and re-equip thousands of tax service personnel). At the same time, the Government of Russia must assure that adequate revenues to sustain at least current levels of public expenditure are maintained. By continuing its program of advisory services and training support to the Government on tax issues, USAID expects to make a critical contribution to this massive undertaking.

In late FY 1995, USAID entered into a Cooperative Agreement with the Harvard Institute of International Development (HIID) to provide increased coordination of external support for tax reform. Three factors will affect Russia's progress in tax reform in 1996 - 1998:

- Policy leadership and effective collaboration on the needed legal and regulatory measures between the Presidency and the Duma;
- Organizational leadership for the transformation of the State Tax Service; and
- Demand from the local governments for tax reforms which will enable them to meet their citizens' needs more effectively.

Technical assistance and advisory services will contribute by: informing the policy debate and providing draft laws and regulations which will further the objective of developing a market economy in Russia; supporting STS leadership in concrete ways, with needed analyses, training, and other advisory services; and working collaboratively with local governments as well as federal structures in working out feasible approaches for increased local revenue generation.

SO 1.3 Accelerated Development and Growth of Private Enterprises

1. The Results Framework

Development Hypotheses

The Mission has selected Strategic Objective 1.3 -- Accelerated Development and Growth of Private Enterprises -- from the ENI Strategic Framework menu. The activities captured under SO 1.3 are critically important elements of the overall Russia assistance program, vital to the achievement of the Strategic Goal, fostering the emergence of a competitive, market-oriented economy in which the majority of economic resources is privately owned and managed.

Prior to the dissolution of the Soviet Union, Russia had very little or no experience with market-oriented mechanisms, institutions, and private enterprise. Lack of experience and absence of an appropriate commercial legal and regulatory framework has made Russia's transition to a market-oriented economy extremely difficult and has hampered private sector development throughout the country. To directly address these constraints, USAID and a wide range of development partners have focused a large portion of the overall Russia assistance effort on the development of private enterprise.

Four major areas or approaches translate into the Intermediate Results included in the SO 1.3 framework (see also Chart 1.3):

- IR 1.3.1 Polices, legislation, and regulations conducive to broad-based competition and private sector growth adopted
- IR 1.3.2 Successful models of private ownership and modern management widely replicated;
- IR 1.3.3 Land and real estate market mechanisms operating, accessible, and being used by businesses.
- IR 1.3.4 Sustainable network of business support institutions rendering services to entrepreneurs and businesses; and

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Critical Assumptions

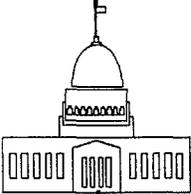
Other general factors which clearly impact on the development and growth of private enterprise, but are not directly represented in the SO 1.3 framework and/or not areas of USAID intervention, are:

- Macroeconomic and political stability. These are relevant concerns for Russia, given even the short history of 1992-1995, and volatility in this regard could significantly affect, if not completely disrupt, progress in achieving SO 1.3. However, as much of the private enterprise development efforts are being driven and are directed at the local and regional levels, many lasting changes from SO 1.3 programs would weather all but the most catastrophic changes in Russia's macroeconomic and political environment.
- The development of the financial sector. While it has become evident that financing is not the only constraint to private enterprise growth, it is an important one. For this reason, USAID/Russia has adopted SO 1.4 as a key objective for the country program.
- Physical infrastructure development e.g., roads, dams, telecommunication. Russia's physical infrastructure clearly is in decay. Unfortunately, the extent of the decay, and funding requirements which vastly exceed USAID's resources, mean that physical infrastructure is not an appropriate area for significant USAID intervention. Indeed, the scale of the problem and funding constraints logically keep all but some possible private investment and major multilateral development banks away from working on Russia's capital infrastructure sectors. However, SO 1.3 programs can spur private sector development which can help address this problem. The assumption is that the physical infrastructure will not decay to the point where it prohibits all normal business communication and transport.
- Rule of law. It is assumed that current levels of crime and corruption will be brought under control as progress is made in establishing new legal and regulatory structures and judicial mechanisms for maintaining a rule of law are improved. This is also the focus of SO 2.1 and is discussed further below.

Strategic Objective 1.3
Accelerated development and growth of private enterprises

Timeframe: 1993 - 1999
 Development Partners:
 IMF, World Bank

Refer. to SO 2.1, 1.4, 2.1



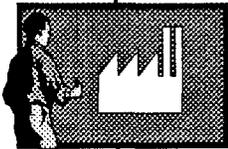
IR 1.3.1
Policies, legislation, and regulations conducive to broad-based competition and private sector growth adopted

Development Partner:
 World Bank

IR 1.3.1.1
Russian institutional capacity to conceptualize, develop, and apply policies, legislation, and regulations increased

IR 1.3.1.2
Policy advocacy groups established and strengthened

IR 1.3.1.3
Improved understanding of free market principles by political leaders, government officials, and the general public



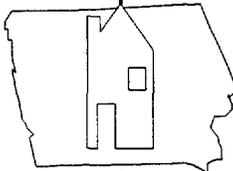
IR 1.3.2
Successful models of private ownership and modern management widely replicated

Development Partners:
 World Bank, EBRD, EU/TACIS, British know-how fund

IR 1.3.2.1
Workable models for new and restructured firms to compete in market economy developed and tested (Refer. SO 3.3)

IR 1.3.2.2
Other donor, government, and private sector resources mobilized to promote rapid replication

IR 1.3.2.3
Institutional capacity developed to support replication of workable models



IR 1.3.3
Land and real estate market mechanisms operating and accessible and being used by businesses

Development Partner:
 World Bank

IR 1.3.3.1
Regulations adopted in oblasts and municipalities to permit sale and registration of land and real estate

IR 1.3.3.2
Cities have established functioning real estate information systems that are used by both the public and private sectors to increase transactions

IR 1.3.3.3
Procedures have been adopted by banks for real estate loans collateralized by real property and lending has begun



IR 1.3.4
Sustainable network of business support institutions rendering services to entrepreneurs and businesses

Development Partners:
 EBRD, EU/TACIS, British know-how fund

IR 1.3.4.1
Business service institutions established and/or strengthened

IR 1.3.4.2
Business services sector offers wider range of services and products to growing business sector

IR 1.3.4.3
Business service sector establishes direct relationships with partners across regions

PERFORMANCE ASSESSMENT
Table I - Performance Data

RESULT LEVEL (SO or RI) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 1.3	Accelerated Development and Growth of Private Enterprises	Unemployment (BLS/ILO) rate among prime age adults will not exceed 10% by 1999	Definition: unemployment Unit: % unemployment rate	1995	8								< = 10		
SO 1.3		New private sectors of economic activity will appear by 1998	Definition: private reforms Unit: new sectors	1992	0					> = 1					
SO 1.3		Foreign direct investment will increase	Definition: foreign direct investment Unit: % increase	1991				2		8					
SO 1.3		Private sector production as a % of GDP will rise to levels found in other transition economies by 1998	Definition: private sector production Unit: % comparable with Eastern Europe	1994	< EE							yes			
SO 1.3		Inflation will fall to 2% a month by 1998	Definition: inflation Unit: % change/month	1992-1994	15					2					
SO 1.3		Private ownership of assets will be similar to other transition economies by 1998	Definition: private ownership Unit: % comparable with Eastern Europe	1994	< EE					yes					

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 1.3		Average real income of households will grow more than 1% by 1999	Definition: average real income Unit: % growth	1995	< 0							1			
SO 1.3		Percent of household income from nonstate owned organizations will exceed 10% by 1999	Definition: household income privatized Unit: %	1994	8							> = 10			
SO 1.3		Number of businesses created/sustained will be similar to other transition economies	Definition: new businesses sustained Unit: : # comparable to Eastern Europe	1994	< EE					yes					
SO 1.3		Former state and collective farms in many oblasts have reorganized into market-based, competitive enterprises such that at least half of the newly formed, smaller, privately owned enterprises in 16 Oblasts will be breaking even (at, or near zero profit) or profitable (significant and positive profit) by Fall, 1998	Definition: farm reorganization Unit: % new target farm formulas > = 0 profit	1991	0					50					
IR 1.3.1	PLR conducive to broad-based competition and private sector growth adopted and implemented	Openness of economy index (WB): improves	Definition: openness Unit: TBD												

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Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	TARGETS AND ACTUAL RESULTS												
				BASELINE DATA		1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 1.3.1		Laws drafted and adopted (financial instruments, legal entities, land and real estate, business forms, taxation and accounting, civil code, banking and payment system, general legal reform, world bank loan, international economic law (WTO, tariffs, etc.), enforcement procedures, administrative law, civil procedure)	Definition: rule of law Unit: draft initial/final	1992	0	0		initial		final						
IR 1.3.1.1	Russian institutional capacity to conceptualize, develop, draft, and apply policies, legislation, and regulations increased	Federal Commission to Support Small Enterprises is formed and strengthened	Definition: Federal Commission to Support Small Enterprises established Unit: commission set up	1992	0	yes (Sept.)										
IR 1.3.1.1		Environment related barriers to investment are removed through greater reliance on market-based incentive oriented environmental management policies supported by adoption of environmental liability legislation	Definition: environment protection draft Unit: law to Duma	1992	0					1						
IR 1.3.1.1		Regulatory and legal improvements for small and medium business are effected at the local and regional levels	Definition: small and medium enterprise environment Unit: new laws in 20 legal areas in 30 areas	1992	0										yes	
IR 1.3.1.2	Policy advocacy groups established and strengthened (NGOs)	Regional economic journalist union created	Definition: new economic/ journalist union Unit: journalist union established	1995 (Dec.)	11											

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Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 1.3.1.2		Institute for Law Based Economy sustainable	Definition: legal NGO Unit: new institute	1992	0					1						
IR 1.3.1.2		Institute for Private Sector Development is launched and is informing policy makers	Definition: private sector institute Unit: new institute	1992	0	1 (Sept.)										
IR 1.3.1.3	Improved understanding of free market principles by political leaders, government officials, and the general public	Coverage of the population	Definition: public education dissemination Unit: region with new public education program	1992	0	30										
IR 1.3.1.3		Public opinion polls, knowledge, attitudes, practices	Definition: new attitudes Unit: % change in public opinion	1992	0	50										
IR 1.3.2	Successful Models of Private Ownership and Modern Management Widely Replicated	Former state and collective farms have reorganized into private farms and other agricultural enterprises; have access to inputs, markets and credit; and have transferred social services to local government or private sector	Definition: farm reorganization Unit: reorganized farm in target oblast	1992	0					200						
IR 1.3.2		Enterprises implementing restructuring techniques in finance, marketing and industrial processes	Definition: increased cost efficiency of firm operations Unit: firm	1995	90	481		80								

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Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
						1996		1997		1998		1999		2000			
						YEAR	VALUE	Target	Actual								
IR 1.3.2.1	Workable models for new and restructured firms to compete in market economy developed and tested	Marketing models and financial procedures tested and successful at pilot enterprises	Definition: new models and procedures implemented at pilot firms developed Unit: new model or procedure	1995	1	3											
IR 1.3.2.1		Methodologies for development of investment projects tested and successful at pilot enterprises	Definition: pilot firms establish contacts with potential investors or financing partner Unit: % of targeted firms with new contacts	1995	0	5											
IR 1.3.2.1		Condominium associations established as form of ownership model for privatized housing	Definition: new condo association Unit: new condo association in target city	1992	0	250											
IR 1.3.2.1		Housing maintenance contracting models developed and tested	Definition: competitive housing stock Unit: % Moscow city stock competitive	1992	0	10											
IR 1.3.2.1		Housing maintenance contracting models developed and tested	Definition: housing maintenance competitive Unit: housing unit in target region	1992	0	50,000											
IR 1.3.2.1		Process established for state and collective farms to reorganize into smaller privately owned entities	Definition: farm reorganization Unit: reorganized farm	1992	0	64 (Aug.)											

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 1.3.2.1		New market based, competitive private farms and agricultural enterprises created in pilot oblasts	Definition: new private agricultural firms Unit: new private firms exist in 2 oblasts	1992	0			1								
IR 1.3.2.2	Other Donor, Government, and Private Sector Resources Mobilized to Promote Rapid Replication	Multilateral and bilateral donors expend on USAID funded pilots in enterprise restructuring, housing divestiture, agricultural credit schemes	Definition: new agricultural credit schemes Unit: prototype agricultural credit schemes established	1992	0			1								
IR 1.3.2.3	Institutional Capacity Developed to Support Replication of Workable Models	Russian institutions/firms trained and capable of providing professional/consulting services in enterprise restructuring, condominium formation, competitive housing maintenance and market-based real estate development	Definition: housing reform institute Unit: financially viable housing reform institute established in pilot regions	1993	0	3										
IR 1.3.2.3		Oblast agricultural institutes providing business skills development training for new farm and agribusiness managers	Definition: improved agribusiness capacity Unit: trained agribusiness managers	1993	0	250										
IR 1.3.2.3		Farm reorganization working groups operational at oblast and rayon levels	Definition: farm reorganization working group Unit: trained farm reorganization working group	1992	0	75 June)										

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS														
						1996		1997		1998		1999		2000						
						YEAR	VALUE	Target	Actual											
IR 1.3.3	Land and Real Estate Market Mechanisms Operating and Accessible and Being Used By Businesses																			
IR 1.3.3.1	Regulations adopted in oblasts and municipalities to permit sale and registration of land and real estate		Definition: new land regulations Unit: city/oblast targeted	1992	0	15														
IR 1.3.3.2	Cities have established functioning real estate information systems that are used by both the public and private sectors to increase transactions		Definition: real estate registration Unit: city with functioning real estate system	1992	0	10 (Sept.)														
IR 1.3.3.3	Procedures have been adopted by banks for real estate loans collateralized by real property and lending has begun		Definition: property lending established Unit: reformed financial institution	1992	0			25												
IR 1.3.4	Sustainable Network of business support institutions rendering services to entrepreneurs and businesses																			
IR 1.3.4.1	Business Support Institutions (BSI) Established and/or Strengthened	Number of business support institutions increases across sectors	Definition: Business Support Institutions (BSI) set up Unit: new BSI	1992	0	200														

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 1.3.4.1		Number of business support institutions increases across sectors	Definition: clients served Unit: clients served	1992	0								200,000			
IR 1.3.4.1		Number of business support institutions increases across sectors	Definition: business education center set up Unit: business education center set up	1992	0	3 (June)										
IR 1.3.4.1		Business services institutions have professional, trained staff Business services institutions have professional, trained staff	Definition: trained staff Unit: Russian trained service provided	1993	0			10,000								
IR 1.3.4.2	Business services sector offers wider range of services and products to growing business sector	BSIs offer or directly link clients with programs in leasing, investment and financing	Definition: New BSI services provided Unit: client served	1992	0			2,000								
IR 1.3.4.2		Quantity and availability of business training programs increased	Definition: franchising knowledge Unit: person trained	1992	0	1,700 (April)										
IR 1.3.4.2		Quantity and availability of business training programs increased	Definition: training of trainers Unit: train the trainer participant	1992	0					4,000						
IR 1.3.4.2		Quantity and availability of business training programs increased	Definition: change high schools Unit: reformed high schoolteacher	1992	0					4,000						

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	TARGETS AND ACTUAL RESULTS												
				BASELINE DATA		1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual									
IR 1.3.4.2		Franchising association offers services to entrepreneurs and franchisees	Definition: franchising association Unit: new association	1992	0	1										
IR 1.3.4.3	Business establish direct relationships with partners across regions	Businesses establishing direct relationships with partners and customers across regions	Definition: inter-regional links improved Unit: signed contract	1992	0					500						

*optional: use only when clarification of the performance indicator statement is necessary

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Note: No USAID supported activity is foreseen beyond the latest year with data.

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Causal Linkages

To address the most critical constraints to private sector development, to maximize impact of limited funding, to ensure lasting reforms, and to build on USAID's comparative advantage, USAID support toward the accomplishment of SO 1.3 focuses on developing the human and institutional capacities needed to promote continued private enterprise growth in Russia. The four highest level intermediate results can be briefly stated as: Policies Adopted; Successful Models Replicated; Land/Real Estate Market Mechanisms Operating; and Sustainable Network Rendering Services to Businesses.

IR 1.3.1 Policy. Appropriate policies are needed to put in place a commercial construct in Russia whereby legitimate businesses can be started and thrive, contracts can be entered into with the confidence that they are enforceable and will be honored, and that Russian government at the federal, regional, and local levels will be able to support and catalyze, rather than hinder and harass, private enterprise development.

In addition to drawing on its experience to date in articulating this IR, USAID/Russia is assuming that:

- Public opinion in Russia will not radically change against reform due to conditions in the country. While opinion may rise and fall, no fundamental downturn will occur.
- The Government of Russia will continue to allow NGOs to exist and flourish.
- Macroeconomic indicators will continue to improve as the transition progresses
- Implementation of laws drafted will begin and Russians themselves will seek out further reforms of the judicial branch
- Interest in doing applied research in the areas of law, small and medium enterprises (SMEs), and public opinion will increase and allow institutions doing such research to be self-sustaining financially with some support from donors other than USAID
- Training of trainers will be taken on by Russian institutions themselves with some support from donors other than USAID

The three lower level IRs which will contribute to the achievement of IR 1.3.1 represent three elements in getting policies, laws, and regulations (PLR) drafted and approved by the legislative and executive branches.

IR 1.3.1.1 Institutional capacity to draft laws causes PLR reform to occur as it creates the means to create new draft laws and regulations and criticize existing laws and regulations within the government.

IR 1.3.1.2 Policy advocacy groups ensure that when drafts are sent to the government, there also exists a network of independent non-governmental groups essential for quality control. Policy advocacy groups cause the level of work on PLR reform to be of high quality even before it is seen by the bodies that must approve it.

IR 1.3.1.2 Improved understanding of free market principles in general is needed to create a healthy enabling environment that is essential for PLR reforms to be adopted. Improved understanding of free market principles can also lead to more rapidly absorbing lessons learned and therefore feeds back to higher quality drafting of laws and regulations leading to improved policy making.

IR 1.3.2 Models. As funding available to USAID for programming is extremely limited, both relative to the size and geographic expanse of Russia, as well as the development constraints across sectors, USAID has chosen to rely heavily on building successful models of private ownership and modern management in the expectation that these will, in turn, be readily seen, accepted and adopted by others who will mobilize sources of private and public funding for replication and wide dissemination throughout Russia.

Achievement of this IR will depend upon:

IR 1.3.2.1 Actually developing and testing enough workable models. Many USAID/Russia activities -- the Project for Intensive Enterprise Support (PIES), the Housing Sector Reform Project, FARMS I and II, the Market-Oriented Farm Support Activity (MOFSA) and the Environmental Policy and Technology Project -- are developing and testing pilot models to promote private ownership and modern management.

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- IR 1.3.2.2 While the demonstration impact of some models is obvious, in most instances it is also necessary for project implementors to "sell" the models by coordinating with the Russian government and other donors. The impact of successful "sales" program will be the mobilization of resources to permit rapid replication.
- IR 1.3.2.3 Further, along with designing workable models and training initial implementors, it is essential that the capacity of Russian institutions (such as the Morozov Project's Business Training Centers and the Local Privatization Centers) to replicate these models is developed.

In designating this IR and the contributing lower-level IRs, USAID/Russia has assumed that:

- Decrees and laws establishing private ownership of enterprises, farms and land will not be reversed if there is a change in the government.
- Former state enterprises and farms recognize the need for and benefits from restructuring into market-based private enterprises.
- Multilateral and bilateral donors and federal, regional and local governments are committed to supporting reform in the sectors in which USAID is working.
- An improving economy enables governments and private investors to have the resources to adopt the models.

IR 1.3.3 Land and Real Estate Mechanisms. The importance of having functioning land and real estate markets to further private enterprise growth and stimulate investment in Russia cannot be over-emphasized. Private firms cannot be truly private without private land ownership. Thus, opportunities for wider and more efficient sale and registration of land will stimulate private ownership of real property and will be critical to the ultimate success of Russia's private sector development.

Again, USAID/Russia has made certain assumptions in focussing on this particular market:

- Regardless of the election results in June, regulations adapted in pilot oblasts and municipalities will be seen as useful in other regions and will be adapted

there. That is, our activity will not be politically blocked in the near future throughout Russia by a reactionary national government.

- The number of real estate transactions in both the private and public sector will increase as people realize the value of having a transparent real estate market. While corruption will continue to exist for some time, there will be a growing awareness that the price of corruption is too high.
- Banks will increasingly seek to lower risk by using real property as collateral for any kind of loan. The banking crisis will cause the banking sector to become more efficient and will drive banks to seek ways of lowering lending risk.
- Local communities and government will experience positive income flows from land market activity and this will garner further support for such activity.
- Legal reform in the land area will proceed. President Yeltsin's recent attempt to get land reform legislation moving again will bear fruit.
- Various NGOs that support land reform will be self sustainable and will increase in number.

All three lower level IRs contributing to IR 1.3.3 constitute essential elements to the concept of a market. In this sense the achievement of a lower level IR has the effect of creating the market.

IR 1.3.3.1 Adoption of regulations in oblasts and municipalities to permit sale and registration of land and real estate causes the enabling environment to be there for the market to exist.

IR 1.3.3.2 Installation of functioning real estate information systems in cities both causes the market to operate in the first place and encourages market concepts to spread. Actual lending with real estate collateralized loans illustrates to businesses how land and real estate markets can help them raise capital.

IR 1.3.3.2 By banks adopting procedures for real estate loans to be collateralized by real property, land markets will be used by businesses. Legal, equipment/MIS, and finance mechanisms cause the higher level IR to be achieved.

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Key to all three lower level IRs is the demonstration effect. While all are being implemented only in selected pilot cities, success at this level is expected to roll out with only modest support.

IR 1.3.4 Sustainable Network. Fledgling businesses and entrepreneurs in Russia are starting from scratch. If they are to establish themselves, grow, and succeed, it is absolutely essential that they have access to training, support services essential to efficient business operation, and the capacity to advocate for changes in policies, regulations, and systems which constrain their operations. By working with a wide range of Russian business support institutions (professional associations, training institutions, consulting firms, regional and local governments, business incubators, business centers, and financial institutions), USAID intends to contribute to the development of a network of such institutions which will deepen their impact, improve the business skills of thousands of entrepreneurs, and spur new enterprise starts.

Over 200 institutions in over 30 major regions of Russia already make up this network and provide the most direct channel for USAID support to the grassroots level for enterprises and businesses. The member-institutions have already developed, or are working to solidify, the capacity to widely disseminate, expand, and sustain support for business development far beyond the life of USAID funding.

The three lower level intermediate results of the IR Sustainable Network represent in a general sense the breadth of the network, the depth of what the network provides; the network's ability to stimulate trade/commerce within Russia, as well as to support external investment and trade.

IR 1.3.4.1 Business support institutions established and/or strengthened in the network itself will be tracked by the number and kind of institutions supported as well as by the status/progress of these institutions toward self-sufficiency. Progress in building and strengthening the capacity of the network is obviously critical to achievement of the IR, particularly its "sustainability."

IR 1.3.4.2 Business services sector offers wider range of services and products to growing business sector. This is the "depth" aspect of the IR. Continued improvement in the quality of what the network provides is essential to achievement of the IR.

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IR 1.3.4.3 Business service sector establishes direct relationships with partners across regions. This contributing IR speaks to how well the network is facilitating transactions and relationships in the very important area of inter-regional trade and commercial linkages. This is one gauge of how well integrated and coordinated are the institutions of the network. Achieving this IR will tangibly demonstrate the value of the network to its Russian clients and businesses.

USAID/Russia has taken into account the following assumptions in setting these IRs:

- Although many observers worry about possible impending political changes in Russia, progress toward achievement of this IR will be significantly insulated from national political changes so long as the general policy of moving toward a privately-owned and -managed market economy is maintained.
- The network is made up of many different kinds of institutions throughout Russia's regions that support market-oriented reforms. Since they are broad-based and already firmly rooted at the grassroots level, even profound political upheaval within the government and in Moscow should not derail the continued benefits of the network.

2. Overall Progress to Date

IR 1.3.1. Policies, legislation, and regulations conducive to broad-based competition and private sector growth have been adopted.

Perhaps the most fundamental achievement to date is that of Russia's new Civil Code, Part I, which went into effect on January 1, 1995, and Part II, which came into effect in early 1996. The Code establishes fundamental principles of **civil and commercial law**. This modern Civil Code is a major advance in reform efforts, as it makes a fundamental break with past Soviet and Russian legislation by effectively guaranteeing both freedom of contract and protection of private property. The Code will also help protect against the proliferation of financial crimes that is undermining society's confidence in the market. When the Civil Code is complete (Part III is still in draft), Russia will have a comprehensive codification of economic laws and decrees which will clarify what the law is and how to apply it, thus enabling businesses to determine their legal rights and duties -- solving one of the major problems of economic reform

in Russia.

Foreign legal experts from the U.S. and Europe participated in the drafting of the Code, working with the Research Center for Private Law. USAID-funded experts convened working sessions both to review the draft text and to examine the underlying theory of commercial law. Much of the drafting work on laws to implement the Civil Code has been done by 40 Russian lawyers who received on-the-job training through the USAID-funded Legal Reform Project.

Partly as a result of the input of USAID-financed studies, the Federal Law on Natural Monopoly was enacted in 1995 as a "framework" law dealing with the regulation of prices. Draft laws for federal level regulatory institutions in the energy, transport, and telecommunications industry have been prepared; only the Electric Power Regulatory Commission has so far been established but is likely to have an enormous impact on private sector investment in that sector (see SO 1.5 below).

USAID has been a major player in the formation of the Russian Federation State Committee for Small Entrepreneurship Development and Promotion. Further USAID support helped the leadership and the staff to explore options in small business area analysis. This institutional support by the Government has been complemented by the promulgation of over 40 positive local and regional regulatory or policy changes benefitting small businesses. These changes have been influenced by the intervention of USAID contractors, grantees, and their Russian partner organizations. Deloitte and Touche's eight Business Support Centers have taken an especially active role in bringing about these changes. In all eight sites, business registration procedures have been simplified and shortened. In Smolensk, Decree 52 opened the door for construction companies to raise necessary capital via housing certificates sold to the general public. In Voronezh, a restrictive decree placing unfair licensing procedures and quotas on exports was removed.

A final example of program progress. The USAID funded Rural Development Institute helped draft the new agricultural land privatization decree which was signed by President Boris Yeltsin on March 7, 1996. This decree, which gives ordinary Russians the right to buy and sell agricultural land for the first time since the Bolshevik Revolution of 1917, will open up new opportunities for agricultural investments and is likely to accelerate demand for farm reorganization services.

IR 1.3.2 Successful models of private ownership and modern management have already been widely replicated.

Farm Reorganization: Farm reorganization pilots were implemented in four oblasts with 21 participating farms. Reorganization of 14 of the 21 farms resulted in the creation of 132 new private farming enterprises and agribusinesses, including 84 family farms. A total of 5,833 shareholders registered as owners of new private entities and 2,508 shareholders received registered titles to private land ownership.

A comprehensive farm reorganization manual was developed and approved by the Government for distribution nationwide. Four teams of Russians were trained to lead the farm reorganization process by Russian staff of the oblast and raion administrations on additional farms in new oblasts.

In total, more than 860 new private agribusinesses and farming enterprises have been formed from 95 former state and collective farms restructured using a model procedure for farm reorganization developed with USAID funding. These results are the combined efforts of USAID, British Know-How Fund, and Canadian supported farm reorganization teams working in 8 oblasts. To date, 14 agricultural training institutes have established permanent farm reorganization training curriculum, and have trained 15 oblast and 60 raion farm reorganization teams.

Private maintenance of housing. Over 300,000 housing units in Moscow alone are being maintained by private firms, creating new jobs and opportunities for competitive market forces to be the catalyst for high quality services. The model for cities' competitive procurement of these services was developed with USAID support and is being applied in several other Russian cities.

Private Housing and Condominiums: Over 35 percent of formerly public housing was privatized by 10/95. Condominiums were established in 20 cities by the end of 1995 on a pilot basis. With FY96 funding, at least 400 condominiums are expected to be established in over 50 cities by the end of 1997.

Mobilization of private capital for replicating models. Private US NGOs and companies and Russian agribusiness partners have teamed up, with some grant support from USAID, to build western-style agribusinesses (including service entities) in the Russian countryside. They are demonstrating new approaches to doing business in a market environment. Examples include:

- The establishment of three modular feed mills in Siberia for a local source of high quality animal feed. The first, located in Irkutsk, is operating profitably and will supply 30,000 tons of feed per year to area farmers.
- A Russian private farmers' association, which received assistance from

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American volunteers based at the Ohio Nationwide Insurance Company, developed a farmers' insurance system for Russia. Employment at the Russian company has grown by 28 percent, with 386 employees now operating 41 affiliate offices in Russia.

- In Krasnodar, the Texas Farm Bureau is helping one of the largest private farmers associations in Russia (21,000 members) establish private co-ops, develop agricultural banking and insurance, improve communications, and strengthen member services.

IR 1.3.3 Land and real estate market mechanisms are operating and being used by businesses.

Laws and regulations facilitating greater private sector involvement in the housing sector were passed and/or implemented with USAID-funded input and assistance: the Law of Fundamentals of Housing Policy in 12/92; regulations permitting the increase in rents and mandating the provision of income-based housing allowances were passed in 9/93; regulations on housing lending and the structure of housing finance were passed by 12/93; a law on condominiums passed the first reading in the Duma in July, 1995.

A body of both national and local legislation (municipal and oblast level) has been developed as the basis for functioning land and real estate markets. The Presidential Decree "On the State Land Cadastre and the Registration of Documents on Real Estate Rights," passed in December, 1993, authorized the local Land Committees to register privatized land parcels. Local administrations have used this authority in USAID-funded pilot activities to establish real estate market regulations. For example, the procedure for sale of city-owned land parcels to enterprises in St. Petersburg was laid out in Order #236-P implementing an earlier order "On Procedure of Implementation of Decree #1535 of 22 July 1994 by the President of the Russian Federation in Terms of Sale and Lease of Land Parcels." Technical expertise financed by USAID facilitated application of these legal frameworks in 1994/95 and the development of urban land markets is well-launched.

Housing Markets: USAID support to the Eastern European Real Property Fund resulted in the formation of a group including the Russian Guild of Realtors (with 345 members and affiliated associations), the Russian Society of Appraisers, and the Urals Guild of Realtors. Rapid growth in this professional community represents new opportunities for private businesses resulting from privatization of housing ownership. Over 245 condominium associations have been registered in over 24 cities

(representing a jump of 155 in three months) and over 30 cities now have legislation enabling the formation of condominiums.

Institutionalization: The Institute for Urban Economics, a Russian organization, was founded in 6/95 by Russians associated with our technical assistance program as a professional consulting firm specializing in housing sector reform. A law creating an Agency for Mortgage Lending, a liquidity facility, is expected to be passed by the Duma by 12/95. Institutional arrangements to carry out housing sector reform will be completed by 12/96 in Ekaterinburg and Novosibirsk. Institutional assessments will have been completed and staff training plans developed by mid 1996 for the 4 cities participating in the follow-on program. By 12/97, Russian staffs will be capable of carrying out programs with a minimum of outside technical assistance.

Commercial Banking: By the end of 1995, 12 banks were fully trained and had started to issue market rate housing mortgage loans using underwriting criteria and software developed with USAID project support. Over 900 loans were originated. The Association of Mortgage Banks was founded in 1993 to provide training to members.

IR 1.3.4 The network of business support institutions is already rendering services to entrepreneurs and businesses.

Institutions: The Morozov Project, a Russian nonprofit organization dedicated to building up the business skills and experience of Russians across the country, has resulted in the development of a business training network in 36 regions. 1,650 trainers have completed "training of trainers" programs at Morozov headquarters in Moscow and have returned to their homes all over the country to spread newly acquired knowledge. 2,500 high school teachers have received training from USAID-funded Junior Achievement International's program to help them understand and teach the principles of free enterprise and market economics. This has resulted in the instruction of over 55,000 Russian high school students.

Range of services: Based on a recent head count of clients and information reported by USAID contractors and grantees, it is estimated that USAID has helped to establish or strengthen over 200 vital business support institutions throughout 30 regions of Russia and that 70 of these institutions are already financially self-sufficient. The network's provision of a broad range of business services has been responsible for the creation of some 45,000 jobs and has resulted in the training of

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over 40,000 entrepreneurs.

USAID's advocacy of the development of business incubators has led to the creation and operation of these types of business services in four cities now, providing business information to micro-entrepreneurs.

80 percent of clients responding to a survey carried out by USAID partner (the Center for Citizens' Initiatives, or CCI) indicated that their profits had risen due directly to affiliation with the CCI activity which provides training, hands-on advice, and limited financial support.

Direct relationships: In the Russian Far East, the University of Alaska's American Russian Centers (ARCs) have provided business link information to approximately 500 US and Russian companies. The ARC network estimates that it has generated \$5 - \$6 million worth of business for US companies.

3. Contribution of USAID

Life of objective funding between FY 92 and FY 95 was \$382 million.⁴ With expected outyear funding, this total will rise to \$540 million. This is a core of USAID's portfolio in Russia: unless private sector growth is accelerated quickly enough that "average" Russians begin to perceive opportunities for improving their standards of living in this sector, Russia's policy commitment to establishing a market economy could easily waver.

The breadth of this Strategic Objective and IRs reflects USAID/Russia's conviction that it is essential to address both structural or systemic issues (the policy and regulatory issues, broad institutional changes) at the same time as grassroots organizations and individuals are empowered to take the initiative in testing the waters of the private sector. The results just reported indicate a substantial degree of success in this two-pronged approach. The results are, however, not irreversible. Market-oriented laws can be replaced with laws re-establishing authoritarian central controls. Small businesses can go bankrupt, a "natural" market phenomenon, or they can be forced to close by official means.

⁴ Life-of-objective funding for SO 1.1 should perhaps also be added to this total as the privatization process prepared the basis for this SO to be achieved. This funding was \$238 million.

Nevertheless, the reach of the program and the enthusiasm of thousands of Russians participating in it indicate that the change will be durable and that the private sector will continue to grow and thrive.

4. Expected Progress in FY 1997 and FY 1998

Making the assumptions noted above in the Results Framework for this SO, it is expected that:

- Russian capacity to lead and to implement further policy, legal, and regulatory reforms will increase. USAID activities will increasingly involve Russian professional staff and Russian organizations as well as U.S. contractors and grantees. USAID's post privatization strategy is to build up local consulting capacity so that it is able to continue to restructure the bulk of Russia's 25,000 large enterprises. The RPC/LPC network is funded until early 1997, at which time USAID will exit from post privatization, leaving privatization work in the hands of Russians. Russian consulting and management capacity has been consistently improving.
- The models developed in the first years of the program will be rolled out. USAID has budgeted certain funds to accelerate rollout (often by training up larger numbers of trainers and working more closely with permanent training organizations).
- The World Bank and other donors will provide follow-up financing in key areas and this, too, will assist in broadening the impact of the pilot and model activities to date. USAID is also seeking to establish the next logical step for self-reliant development of the business sector -- which is to link emerging businesses which have received technical support with the formal financial sector.
- The business environment will continue to improve as legislation and regulations are refined and as the tax structures (SO 1.2) are revised. One particular area that USAID/Russia hopes to make progress in is in supporting the development of environmental policies which will deal with environmental liabilities in the sale of privatized enterprises. Again, however, further development of financial markets, and their greater orientation to investing in new, small and medium sized enterprises will be critical for new firms to survive. Training and modest levels of grassroots support have been important for start-up -- as indicated by examples above. To grow, however,

new, small businesses are going to need financing as well as continued external support from Russian business support organizations. Recognizing this, USAID will work to integrate efforts toward this SO with those of SO 1.4.

- USAID intends to complete its land and real estate support program in FY 97. By that time, there should be adequate Russian expertise and enough market momentum to sustain continued growth in the sector. By 1998, it is expected that private ownership of housing will become the preferred form of ownership; a private real estate market and condominium formation will become an institutionalized standard operational procedure for housing privatization. Privatization of housing will relieve municipalities and privatized enterprises of one of their most costly social services. A legal structure will be in place for private ownership of housing and mortgage financing. The residential real estate industry will become more professional, transparent and mature. Private maintenance and management companies will be widely-tested alternatives to state run management and maintenance organizations, reducing costs and increasing housing quality. A foundation will have been laid for the creation of a mortgage finance system for housing and of construction finance systems for housing development. Cities will begin to finance themselves necessary improvements to urban infrastructure on a self sustaining basis rather than relying almost exclusively on federal largesse. The construction industry will begin to develop more efficient and technologically advanced building materials and construction practices. Russian institutions will have developed substantial capacity to carry out housing sector reform efforts without outside technical assistance.
- USAID is also seeking to broaden and deepen its work by establishing programs in the field for more information exchange and the identification and implementation of collaborative initiatives. Coordination is already occurring to some extent naturally in the regions, frequently at the initiative of the regional business centers. However, experience has shown that more can be done in this area, to create synergies between existing business development programs.
- At the end of FY 1997, and largely as a result of USAID technical assistance, Russia will have effective application nationwide of a process to restructure large state farms and collectives into smaller, more economically viable farm production units and service enterprises, and to register them as legal entities with title of land and equipment transferred to the new owners.

SO 1.4 A Robust and Market-Supportive Private Financial Sector

1. The Results Framework

Development Hypotheses

The centrally-planned economy of the former Soviet Union did not provide the new Russia with the kind of financial infrastructure which would support the growth of a competitive, market-oriented business community. The financial sector of Russia's economy required radically different kinds of banks and capital markets to stimulate investment and to facilitate its allocation to efficient uses.

What Russia needs to carry out the economic transition are financial institutions which: first, offer services appropriate to a free market with a normal distribution of risk among a diversified set of asset types; and, second, operate within a regulatory framework capable of fostering the effective delivery of such financial services.

USAID/Russia proposes to articulate its own Strategic Objective in words slightly different from those of the ENI Strategic Objective: A more competitive and market-responsive private financial sector. We have replaced the word "competitive" with the word "robust" in recognition of Russia's recent bad experiences with fraudulent investment schemes like MMM in Moscow and runaway banks like Northern Trade in St. Petersburg. We do not want to encourage such unregulated competition, but rather to emphasize the formation of serious, well-regulated and market-serving financial institutions.

The focus on financial institutions which promote economic growth ("market-supportive") rather than simply responding to other market participants ("market-responsive") also permits us to get the best value for the limited (and now decreasing) resources which USAID can bring to bear to contribute to the realization of its objectives.

USAID has specified three complementary Intermediate Results essential to the achievement of this Strategic Objective:

- IR 1.4.1 Legal and regulatory framework for the financial sector established and strengthened.
- IR 1.4.2 Financial sector supported by self-sustaining institutions

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IR 1.4.3 Financial markets efficiently functioning

Critical Assumptions

The main assumption behind USAID's ability to achieve this Strategic Objective relates to the underlying environment. Improved macro-economic stability with low inflation is critical to success.

Other assumptions are that:

- The Government has an adequate degree of political commitment to overcome the entrenched interests of managers of large, formerly state-owned enterprises and owners of under-capitalized, unsafe banks.
- The Duma will enact and the Administration will enforce relevant laws.
- Appropriate tax policies and reserve requirements which are moderate enough that they will not imperil growth of the capital and banking markets will be established.
- Over time, there will be a decline in rent-seeking regulatory actions (i.e. instrumentalities of public policy distorted into fiefdoms for private enrichment) that are unfortunately still too common in Russia.

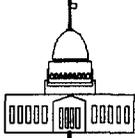
Causal Linkages

These Intermediate Results are, as noted, mutually reinforcing, with the result that success in one area will serve to strengthen the financial sector as a whole, thereby contributing to the achievement of the overall Strategic Objective.

Each Result has indicators attached to targets in these three areas where our team feels USAID's programs have particular strength and enhanced likelihood of success. The indicators are the result of a winnowing of total efforts by our contractors and grantees, i.e. a selection process during the past two years which leaves USAID with on-going projects of high quality and particular relevance to Russian markets.

Strategic Objective 1.4
A Robust and Market-supportive Financial sector

Timeframe: 2000
Development Partners: EBRD, TACIS



IR 1.4.1
Legal and Regulatory Framework for the Financial Sector Established and Strengthened

Timeframe: 1998
Development Partners: EBRD, TACIS

IR 1.4.1.1
Legislation on investor/depositor protection, securities market transactions and sound lending practices achieved

Timeframe: 1998
Development Partners: EBRD, TACIS

IR 1.4.1.2
Regulatory Bodies for Financial Sector Established

Timeframe: 1998
Development Partners: EBRD, TACIS

IR 1.4.1.3
Enforcement Mechanisms of Financial Contracts Developed

Timeframe: 1998
Development Partners: EBRD, TACIS



IR 1.4.2
Financial Sector supported by self sustaining professional institutions

Timeframe: 2000
Development Partners: EBRD, TACIS

IR 1.4.2.1
Functioning Licensing and Standards Institutions

Timeframe: 1998
Development Partners: EBRD, TACIS

IR 1.4.2.2
Strengthened Training Institutions for Financial Sector

Timeframe: 1996
Development Partners: EBRD, TACIS

IR 1.4.2.3
Strengthened Professional Associations for Financial Sector

Timeframe: 1998
Development Partners: EBRD, TACIS



IR 1.4.3
Financial Markets Efficiently Functioning

Timeframe: 2000
Development Partners: EBRD, TACIS

IR 1.4.3.1
Transparent Primary Market in operation

Timeframe: 1998
Development Partners: EBRD, TACIS

IR 1.4.3.2
Mortgage Lending in Operation

Timeframe: 1998
Development Partners: EBRD, TACIS

IR 1.4.3.3
Transparent and Liquid Secondary Market in Operation

Timeframe: 2000
Development Partners: EBRD, TACIS

IR 1.4.3.4
Market for Government Securities Broadened

Timeframe: 1996
Development Partners: EBRD, TACIS

IR 1.4.1.5
Licensed Mutual Funds Market in Operation

Timeframe: 1998
Development Partners: EBRD, TACIS

IR 1.4.1.6
Financial Support for Small Businesses Available Commercially

Timeframe: 1998
Development Partners: KFW (German Government)

PERFORMANCE ASSESSMENT

Table I - Performance Data

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
						YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 1.4	A Robust and Market-supportive Financial Sector	Total assets of banking system relative to economic output.	Definition: total assets/GOP Unit: (%) CBRF (Central Bank of Russian Federation)	1993	40.7	55		60		65		70		75	
IR 1.4.1	Financial Markets Efficiently Functioning	Allocation of investment to economically viable uses.	Definition: volume of new issues and fixed asset investment credits to businesses. Unit: # of credits												
IR 1.4.1.1	Transparent Primary Market in operation	Total volume of the funds raised through Initial Public Offerings													
IR 1.4.1.2	Mortgage Lending in Operation	Market rate mortgages available to individual borrowers	Definition: # of banks making mortgage loans Unit: bank	1993	0	25		35		45					
IR 1.4.1		Construction finance available to developers by banks at world standard	Definition: # of banks making construction loans Unit: bank	1993	0	15		25		35					

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
IR 1.4.1.2		Bridge and home improvement lending piloted by banks	Definition: # banks make bridge and home loans improvement Unit: bank	1994	0	10		25		35					
IR 1.4.1.2		Financial institutions are making commercial real estate loans collateralized by land and improvements	Definition: R.E. secured loans Unit: financial institutions	1994	0	> = 0		25* (6/97)							
IR 1.4.1.3	Transparent and Liquid Secondary Market in Operation	Number of issues traded publicly	Definition: public issues trading Unit: public issue												
IR 1.4.1.4	Market for Government Securities Broadened	TBM Issues/Total Government Deficit	Definition: TBM/deficit ratio Unit: %	1993	5	30									
IR 1.4.1.4		Availability of TBMs to wider investor community	Definition: authorize and expand foreign investment in TBMs Unit: TBD												
IR 1.4.1.5	Licensed Mutual Funds Market in Operation	Domestic savings are drawn to equity investment through Mutual Funds	Definition: savings in mutual funds Unit: rubles												

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
IR 1.4.1.6	Financial Support for Small Businesses Available Commercially	Small business lending programs established/sustained	Definition: # of lending programs Unit: lending program	1994	0			6		11					
IR 1.4.1.6		Raised capital in the small business lending programs	Definition: \$ of amount Unit:\$	1994	0			16,256,500		18,706,500					
IR 1.4.1.6		Loans to the small business sector generated by small business lending programs	Definition: # of loans Unit: loan	1994	0			2,261		2,739					
IR 1.4.1.6		Financing of the small business sector generated by small business lending programs	Definition: \$ of amount Unit:\$	1994	0			17,001,260		18,401,260					
IR 1.4.1.6		High quality performance of loans to the small business sector	Definition: \$ performing Unit: as % of total loans outstanding	1994	N/A			98		98					
IR 1.4.2	Financial Sector supported by self-sustaining institutions	Institutions established (See 1.4.2.1 -3)	Definition: institution established Unit: institution												
IR 1.4.2		Membership in Institutions	Definition: membership Unit: member												

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
IR 1.4.2.1	Financial Sector supported by self-sustaining institutions	Institutions established	Definition: # of institutions Unit: Institution	1994	0	3		8		19					
IR 1.4.2.1		Members	Definition: # of members Unit: member												
IR 1.4.2.2	Strengthened Training Institutions for Financial Sector	Regional bank training centers licensed established	Definition: # of bank training centers Unit: bank training center	1994	0	2									
IR 1.4.2.2		Growth in attendance at Russian-led seminars at BTCs	Definition: participants Unit: participant	1994	0	100		800		1,100		1,800		2,100	
IR 1.4.2.2		Created/strengthened small business banker training/consulting institutions	Definition: # of such institutions Unit: Institution	1994	0			16							
IR 1.4.2.2		Small business banker training courses accepted by training institutions	Definition: # of such courses Unit: course	1994	0			10							
IR 1.4.2.2		New commercial bank lending and related mechanisms for the small business sector development and applied	Definition: # of such mechanisms Unit: mechanism	1994	0			7							

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
IR 1.4.2.2		Banks - recipients of small business banker training/consulting	Definition: # of banks Unit: bank	1994	0			230							
IR 1.4.2.2		Specialists recipients of the small business banker training/consulting	Definition: # of bankers Unit: banker	1994	0			1,300							
IR 1.4.2.3	Strengthened Professional Associations for Financial Sector	Present model on International Accounting Standards (IAS). To groups of banks at professional associations	Definition: model Unit: # of presentation	1994	2		5		10						
IR 1.4.3	Legal and Regulatory Framework for the Financial Sector Established and Strengthened	SEC functioning	Definition: Unit: new SEC												
IR 1.4.3		Securities Law is in effect	Definition: Unit: securities law implemented												
IR 1.4.3.1	Legislation on investor/depositor protection	Passage of legislation in form recommended by USAID	Definition: group of laws signed by the President Unit: law in effect	1994	0	1		3							
IR 1.4.3.1		Passage of legislation in form recommended by USAID	Definition: deposit insurance of law signed by the President Unit: law in effect	1994	0	1									

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
IR 1.4.3.1		Passage of legislation in form recommended by USAID	Definition: bank bankruptcy and electronic payments of law signed by the President Unit: law in effect	1994	0			2							
IR 1.4.3.2	Regulatory Bodies for Financial Sector Established	CBR bank examiners trained by USAID	Definition: trained Unit: examiner	1994	0	300		400							
IR 1.4.3.2		Bank licenses revoked by CBR	Definition: (cumulative) Unit: licenses revoked	1994	85	400		> 600							
IR 1.4.3.3	Enforcement Mechanisms of Financial Contracts Developed	Appropriate laws in place	Definition: commercial Code, Part II (1996) Unit:												
IR 1.4.3.3		Training of judges	Definition: Unit: judges trained												

*optional: use only when clarification of the performance indicator statement is necessary

Note: No USAID supported activity is foreseen beyond the latest year with data.

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IR 1.4.1, establishing and strengthening the legislative and regulatory framework for the financial sector, is based upon specific experiences to date in the drafting and enactment of fundamental legislation in the areas of investor and depositor protection. A lower-level IR reflects this.

IR 1.4.1.1 Legislation on investor/depositor protection, securities market transactions, and sound lending practices achieved.

The legislation is an essential basis for sound regulation, to which USAID has made specific contributions in providing support both for the Central Bank of Russia and for the Russian Federation's Commission on Securities and the Capital Markets (RFCSCM).

IR 1.4.1.2 Regulatory bodies for financial sector established.

And, finally, good laws and regulations must be backed by judicial power for the enforcement of financial contracts.

IR 1.4.1.3 Enforcement mechanisms of financial contracts developed.

Completion of three key lower level IRs, will contribute to accomplishment of the proposed second IR, the financial sector supported by self-sustaining professional institutions. Financial professionals have an "Officer of the Court" responsibility to self-police their markets by constant re-education with regard to products and practices and by supporting their markets with truly professional conduct. In transitional markets such as Russia's, where much of the needed education is primary and not yet "re-education," these professional development functions are especially critical. Several reinforcing steps are needed:

IR 1.4.2.1 Functioning licensing procedures and standards institutions will provide credentials for the many varied professionals in the securities markets.

IR 1.4.2.2 Strengthened training institutions for the financial sector are needed, especially training for bankers, small business lenders, and mortgage bankers.

IR 1.4.2.3 Strengthening professional associations for the financial sector will

contribute not only to the maintenance of higher standards through peer review, and to more effective self-regulation, but will also provide a means for promoting innovation in the financial sector, for example, promoting International Accounting Standards (IAS) among the maximum number of financial professionals by presenting basic models of IAS to professional associations.

The effectively functioning financial markets which are the core of IR 1.4.3 will rely on progress being made in a number of specific areas:

- IR 1.4.3.1 Transparent primary markets -- to facilitate companies' abilities to meet capital investment needs through sales of equity
- IR 1.4.3.2 Mortgage lending -- to meet the growing need for housing and real estate finance
- IR 1.4.3.3 Transparent and liquid secondary markets -- to increase the efficiency of investment financing and promote greater investment in Russian businesses
- IR 1.4.3.4 Government securities -- to broaden participation in this market for non-inflationary financing of the government debt
- IR 1.4.3.5 Licensed mutual fund market -- to mobilize capital from small investors and broaden market participation
- IR 1.4.3.6 Financial support for small businesses available commercially -- to reach an important growth segment of the economy

2. Progress to Date

IR 1.4.3 **Legal and Regulatory Framework**

In 1993, no comprehensive securities law governed the emerging Russian securities markets. The markets were subject to a series of decrees and agency regulations, many of which were neither observed nor enforced. In November, 1994, four agencies other than the Russian Federation Commission on Securities and the Capital Markets (RFCSCM), which was established by decree in that month, had direct securities regulatory responsibility.

By September, 1995, more than 50 decrees and regulations had been drafted (in part with USAID support) to stimulate investment in the securities market and to regulate market participants.

The RFCSCM formally began operation at the end of 1995. To date, more than 50 new personnel have been trained. This body provides oversight and leadership for Russia's capital markets. USAID's support has been the crucial element in the formation and continued operation of this body.

Almost 200 senior supervisors and inspectors from the Central Bank of Russia (CBR) received training funded by USAID in 1994 and 1995. This training enabled the CBR to establish Bank Inspection and Supervision Departments. Since the commercial banking sector has grown rapidly (from a handful operating in Moscow in 1992, there are now more than 2,500 Russian banks in operation), many of the Russian banks are undercapitalized and poorly-managed. Improved inspection and supervision are critical. Over 300 bank licenses were revoked or turned in during 1994/95.

Banker training also helped the CBR to manage the August, 1995 crisis in the interbank loan market. The Central Bank is committed to reforming the system through more stringent regulation, assistance of mergers and revocations. US examiners have participated in the first of six planned on-site examinations.

USAID-funded technical advisors worked with the CBR to introduce the monetary controls needed to keep inflation in check. The CBR also welcomed U.S. advisory input on the use of treasury bills for financing of the government deficit. Use of Treasury bill auctions as a means of financing government debt grew from a level of less than 5 percent of the central government deficit in 1993 to more than 85 percent of the deficit in 1995. This has been a highly successful operation and contributed to 1995's record low rates of inflation.

IR 1.4.2 Financial Sector Supported by Self-Sustaining Professional Institutions

The most progress has been made in the development of a cadre of Russian professionals in the capital markets.

By September, 1995, there were 89 members in the Moscow Broker-Dealers' Association and 70 members in three regional associations in St. Petersburg, Novosibirsk, and Yekaterinburg. These are self-regulatory organizations which

provide market discipline complementary to that of the Russian Federation Commission on Securities and Capital Market.

Three Moscow brokerages volunteered as pilot firms in the development of manuals for back office procedures. The concept of "firm quotations" was introduced to the trading regulations, contributing to transparency and reliability of prices in the market. As of early 1996, there were XX registered brokers in the Moscow area alone.

A **Registrar Support Center (RSC)** provides expert advice and market monitoring, at this time to almost 200 visits or callers each week. The RSC also conducts training seminars and carries out audits. A recent request from the Trade Association of Registrars, Transfer Agents and Depositories resulted in a first-ever audit of the Murmansk Regional Stock Center. The RSC developed standards for voluntary certification of software for share registry; these were recently approved by the State Committee of Standards.

The **National Registry Company (NRC)** was established in spring of 1995 with USAID support to provide an independent share registration service which meets the professional standards in all areas of registrar operations and administration. It has attracted \$10 million in start-up capital from its shareholders: the Bank of New York, Nikoil, Unexim Bank, the International Finance Corporation (IFC), and the European Bank for Reconstruction and Development (EBRD). Its independence will ensure that the NRC will eliminate ownership risk for investors, guarantee the protection of shareholder rights, and facilitate Russian companies' ability to raise capital.

Clearing and Settlement Organizations (CSOs) in Moscow, St. Petersburg, Yekaterinburg, and Novosibirsk clear and settle trades being made in the capital market. The Depository Clearing Corporation in Moscow is the only one currently linked electronically with the Russian Trading System. Use of the CSOs is still minimal, but is expected to grow. USAID support to the development of these organizations has accelerated start-up.

IR 1.4.3 Financial Markets Efficiently Functioning

A major confectionery company in Moscow was assisted by USAID and the British Know-How Fund with the preparation of documents necessary for the **issuance of new stock**, a first test for developing primary equity markets in Russia. \$13 million was raised to finance capital expansion. A new stock issue was also completed, with

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some USAID assistance, by a bakery company in St. Petersburg. This raised \$3.5 million for investment.

USAID supported mortgage lending through provision of technical assistance directly to more than 25 commercial banks and to the 30-member Association of Mortgage Banks. Residential mortgages were initiated by over 25 banks and new loan products were developed (such as construction finance, home improvement loans, and bridge loans). Construction finance is a crucial component of a functioning market real estate sector, as it encourages new development. Fourteen banks are already beginning construction finance programs.

The Russian Trading System, which assures transparent operation of the secondary market, was developed in 1994/95 and went on-line in July, 1995. The weekly volume of trade was \$20 million. The RTS was initially funded by USAID but has quickly developed into a self-sustaining mechanism for over-the-counter trading. The current weekly volume of trade in March, 1996, was \$100 million -- a fivefold increase in eight months.

3. Contribution of USAID

USAID has been a principal donor to the development of financial markets in Russia, with a life of objective funding of \$275 million up to the end of FY 95. The capital market has been the key focus, but USAID has also coordinated with the International Monetary Fund in providing advisory and training services to the Central Bank of Russia. Commercial banker training has been an important adjunct to the Central Bank program. The sheer growth in numbers of banks demands sustained training efforts for some years; the establishment of regional commercial banker training sites in Novosibirsk and Vladivostok (with share ownership of regional banks themselves) responds to this long-term demand.

When the Housing Sector Reform program (HSRP) began in 1993, there were no banks engaged in either mortgage lending or construction finance. HSRP combined study tours, one-on-one consultation, courses, software development, and manual dissemination, yielding direct results. Work with the Association resulted in course curriculum to further banker education. Continuation of this hands-on approach to financial sector deepening in areas where legal and regulatory reforms have opened up new opportunities promises great impact.

The capital markets development work is seen by USAID as particularly critical to

Russia's ability to encourage foreign private investment and to mobilize domestic capital -- the \$20 billion in peoples' mattresses -- in support of private business growth. Both new and privatized companies are strapped for capital. But capital is urgently needed for the retooling and restructuring which virtually all privatized firms must undertake. Such capital is well beyond the capacity of any external financing source, so Russia essentially has no choice but to develop an investment environment -- a functioning capital market -- which can mobilize such funds.

Finally, USAID support has helped to stretch the market for small business lending. The Fund for Democracy and Development (FDD) has provides technical assistance directly to Russian banks as well as establishing a New Russia Small Business Investment Fund which provides credit to small businesses. CCI and Opportunity International have established pilot micro-business incubators and developed leasing and loan programs targeted at the small and micro business sector. The new mechanisms work. Payback and new business start-up is high. A new micro-business finance and support program is being set up in Volkhov, near St. Petersburg, with USAID funding specifically to reach women. It is being run by the Association of American and Russian Women and the State University of New York (SUNY).

4. Expected Progress in FY 1997 and FY 1998

USAID/Russia expects to phase out its support for the financial sector and this SO in FY 96 and FY 97. It is expected that:

- The institutions will be in place to assure appropriate regulation of the capital market. RFCSCM will be the leading governmental institution but regulation will also be assured by the existence of self-regulatory organizations in the private sector.
- The secondary market institutions will be in place to assure transparent and secure transfers of stocks and securities. Most of the institutions will be in the private sector and will be completely owned or managed by Russians with the capacity to grow with the volume of business.
- The primary market for shares and unit investments (mutual funds) will still be nascent. Experience with new issues will be limited, although the regulatory framework and some demonstration public offerings will provide enough of a basis for further growth in this market. Improvements in corporate governance will go hand-in-hand with increased capacity to

mobilize capital through this mechanism. Mutual fund growth will depend not only on getting a regulatory framework and a few funds (or families of funds) in place, it will also depend on having a vital secondary market (with prospects for growth and earnings) and the confidence of small Russian investors.

- The Central Bank of Russia is expected, under the watchful eye of the IMF as the Extended Finance Facility is implemented, to maintain adequate supervisory and regulatory oversight on the banking sector. Further crises in this sector are expected as banks remain under-capitalized and, in some cases, are over-extended.
- The commercial banking sector overall, however, is expected to continue to grow, to experiment with new products (e.g., home and land mortgages), and to gradually assume a more significant role in the financing of the private sector.
- The micro- and small-business finance sector will be moving into the mainstream. The 1,300 bankers from 230 Russian banks trained under the FDD program combined with the experience of 10 lending programs for small and microbusinesses will begin to result in replication of pilot programs.

SO 1.5 A More Economically and Environmentally Sound Energy System

1. The Results Framework

Development Hypotheses

The energy sector in Russia has been viewed internationally as an inefficient and even reckless provider of a commodity (energy of all sorts) for customers with highly-inefficient and energy-intensive consumption habits. USAID assistance to the energy sector was designed to help the Russian Government to develop options for providing energy more safely, efficiently, and with less pollution. On the basis of selected options, USAID was to be prepared to support implementation of restructuring plans in the basic energy industries (coal, natural gas, oil and electric power) and to facilitate the transition from all-powerful, state-owned and -controlled ministries to more environmentally-acceptable, privately-owned, market-oriented, competitive enterprises.

A successful transformation of the energy sector is essential to lay the foundation for long-term sustainable growth of the economy, increased employment, and higher living standards in Russia. Given Russia's substantial natural resources, the energy sector was, and is, the prime mover for the rest of the economy. At the same time, it is capable of generating needed foreign capital.

The baseline situation in the energy sector at the beginning of USAID's program could best be described as "alarming." Prices for energy did not reflect actual costs of production. Industry tariffs subsidized residential and commercial customers. Recovery of natural resources was inefficient and the sector was a main polluter of the environment. The technology employed was outdated and inefficient with a high percentage of production facilities approaching design-life. Funding for maintenance and replacement of outdated facilities was not available, even given the relative economic power of the energy sector in the state-controlled system.

The USAID programs in the energy sector initially attempted to address all energy enterprises. It soon became evident that the gas and oil sectors would not be significantly influenced by our relatively modest programs. USAID phased out of most activities in FY 95; USG involvement is maintained through the Department of Energy. In the coal sector, a very successful program led by a U.S. PVO, Partners in Economic Reform, on behalf of USAID, addressed many of the social and safety issues in the mining industry. Several opportunities were identified and promoted

with the World Bank which is now preparing a loan for this sector. The current USAID funding supports the finalizing of this World Bank loan. Only limited USAID assistance supporting labor management relationships and business development will continue in the two primary coal basins of Komi and Kuzbass and will phase out in early FY98.

USAID has, however, focussed on one energy subsector in which substantial progress has been made. The electric power sector includes most of the district heating plants supplying heat as well as the regional generating plants and transmission and distribution systems that provide heat, electricity, and light to residents and commercial enterprises -- affecting the lives of almost every citizen of Russia. It is estimated that over a million persons are directly employed in this sector alone but millions more depend on its continued operation.

Thus, while the statement of the SO includes the energy sector as a whole, it is the electric power sector system which will receive the preponderance of USAID support in the future.

Critical Assumptions

To carry on with the impressive program in the power sector, it is assumed that there will be continued support from various enterprises in the sector.

- The federal and regional energy commissions must become functional and be able to exert their authority with independence of outside influence.
- Major capital investment must flow into the sector for rehabilitation and new facilities to sustain the sector's capability to supply electricity and heat. This requires sector enterprises to develop an understanding of the requirements of open financial reporting and investment promotion.
- Decision makers in government and industry must be prepared to set the climate for investment that sends the right signals about pricing policies and settlement practices.
- Improvements in efficiency in generation and end-use of power and heat must occur both for cost of production and environmental reasons. Private capability to supply energy efficiency services must develop.

Causal Linkages

Four principal intermediate results are posited to contribute to SO 1.5, a more economically and environmentally sound energy system.

IR.1.5.1, market and competitive forces introduced in the power sector, implies the creation of a restructured, regulated, private commercial enterprises in which participants compete for business and profits. Experience elsewhere says that competition in the sector will lead to lower real prices. For this IR to be achieved, four elements must be in place:

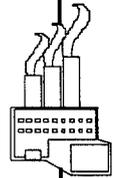
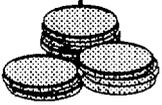
- IR 1.5.1.1 Principles and policies for power sector restructuring must be promulgated.
- IR 1.5.1.2 Regulatory systems at national and regional levels must be functioning.
- IR 1.5.1.3 Commercially viable private power sector must have the capability for production and distribution of power.
- IR 1.5.1.4 Wholesale market in electric power formed and operating.

The second Intermediate Results (IR 1.5.2) on which the program will focus is increased local and foreign capital investment in the energy sector. The economic soundness of the sector relies on much needed investment. Estimates on investment requirements, depending on the economic growth scenarios, range from \$32 to \$81 billion by 2005.

- IR 1.5.2.1 In order for this investment objective to be met, both public and private sources for specific projects will need to be mobilized. Projects will be promoted to multilateral lending institutions and commercial financing entities as well as strategic investors.
- IR 1.5.2.2 Development of power sector financial reports using International Accounting Standards will be used to promote investment opportunities in the sector and will promote another means of financing -- equity sales through ADR listings of stock on major exchanges.

Strategic Objective 1.5
A More Economically and Environmentally Sound Energy System

Time Frame: April 1999
Development Partners:
 World Bank, EU, GOR Ministry of Fuels and Energy, RAO EES Rossii



IR 1.5.1
Market and Competitive Forces Introduced in the Power Sector

Time Frame: May 1999
Development Partners:
 World Bank, RAO EES Rossii, Ministry of Fuels and Energy

IR 1.5.1.1
Principles and Policies for Power Sector Restructuring Promulgated

Time Frame: May 1999
Development Partners:
 RAO EES Rossii, Inter-ministerial Task Force,

IR 1.5.1.2
Regulatory Systems at national and Regional Levels Functioning

Time Frame: December 1998
Development Partners:
 FEC, RECs, World Bank, Inter-ministerial Task Force

IR 1.5.1.3
Commercially Viable Private Power Sector Capability Developed for Production and Distribution of Power

Time Frame: May 1999
Development Partners:
 RAO EES Rossii, USEA, Selected Energos

IR 1.5.1.4
Wholesale Market in Electric Power Formed and Operating

Time Frame: December 1998
Development Partners:
 RAO EES Rossii, AO Energos, Gencos, FEC, RECs

IR 1.5.2
Increased Local and Foreign Capital Investment in the Energy Sector

Time Frame: January 1998
Development Partners:
 World Bank, DOE, EU, RAO EES Rossii, Kubanenergo

IR 1.5.2.1
Private and Public Financing Mobilized for Specific Investment Projects in the Energy Sector

Time Frame: September 1998
Development Partners:
 RAO EES Rossii, Selected AO Energo, World Bank, Private Sector Investor

IR 1.5.2.2
Open and Transparent Accounting Reports Developed for Selected AO Energos and Gencos

Time Frame: September 1997
Development Partners:
 RAO EES Rossii, AO Energos, Gencos

IR 1.5.2.3
Elements of Capital Investment Decision Making Addressed by Regional Enterprises

Time Frame: September 1997
Development Partners:
 Selected AO Energos and Gencos

SO 1.5.3
Improved Energy Efficiency and Demand Side Management Programs Developed and Replicated in Sectors

Time Frame: July 1997
Development Partners:
 World Bank, EBRD, UNEC-EBRD, IEA-OECD, EU

IR 1.5.3.1
Energy Efficiency Programs Demonstrated

Time Frame: July 1997
Development Partners:
 CENEF, Energy Mangers Association, EBRD, EU-Tasis, IEA-OECD

IR 1.5.3.2
Commercially Viable Private Sector Capability to Provide Energy efficiency and Environmentally Sound Services and Equipment

Time Frame: January 1997
Development Partners:
 CENEF, VTI,

SO 1.5.4
Improved Natural Resources and Environmental management Techniques in the Energy Sector

Time Frame: January 1998
Development Partners:
 USGS, MMS, API, RPI, Tymun Oil & Gas Center, Ministry of Fuel and Energy

SO 1.5	A More Economically and Environmentally Sound Energy Systems	Energy provided on least cost basis to wholesale market and consumers	Definition: energy dispatched using economic dispatch principles Unit: economic dispatch principle in use	1995	0	0		1 (June)							
SO 1.5		Energy provided on least cost basis to wholesale market and consumers	Definition: generators, including combined heat and power plants, provided energy on competitive basis Unit: generators with competitive energy supply	1995	0	0				405 (Dec.)					
IR 1.5.1	Market and Competitive Forces Introduced in the Power Sector	Presidential Decree or Government Instruction on restructuring recommendations for Electric Power Sector issued	Definition: Inter-Ministerial Task force, drafted and forwarded decree or instruction formalizing approval of revised power sector structure Unit: decree forwarded	1995	0	1 (Sept.)									
IR 1.5.1		Agreement reached on power sector restructuring plans	Definition: Inter-Ministerial Task force transition implementation plan for the electric power sector adopted Unit: plan	1995	0	1 (Oct.)									
IR 1.5.1.1	Principles and Policies for Power Sector Restructuring Promulgated	Financial Settlement function and procedures for the Wholesale Market instituted	Definition: specification of equitable settlement procedures incorporated into the Wholesale Market Rules Unit: settlement procedures incorporated	1995	0	0		1 (April)				1			
IR 1.5.1.1		Financial Settlement function and procedures for the Wholesale Market instituted	Definition: installation of the approved settlement procedures fully installed for pilot Wholesale Markets Unit: settlement procedures in pilot	1995	0	0				1 (Dec.)					

Note: No USAID supported activity is foreseen beyond the latest year with data.

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IR 1.5.1.1		Management and operational rules for the Wholesale Market established	Definition: specifications for the organization and operation of the Wholesale Market Operator approved by the Government and/or industry Unit: approved specifications	1995	0		1 (Jan.)								
IR 1.5.1.1		Plans for restructured electric power sector issued and implemented by RAO EES Rosel	Definition: Wholesale Market approved and established by RAO EES Rosel Unit: Wholesale Market established	1995	0		1 (Jan.)								
IR 1.5.1.1		Plans for restructured electric power sector issued and implemented by RAO EES Rosel	Definition: Wholesale market in pilot areas operated and modified to account for implementation issues Unit: modified pilot wholesale markets	1995	0	0						1 (May)			
IR 1.5.1.2	Regulatory systems at national and regional levels functioning	Exchange programs between US and Russian power sector companies. Regulatory personnel included.	Definition: USEA exchange visits in the area of regulatory operations completed Unit: USEA exchange visit	1995	0	2				5 (Dec.)					
IR 1.5.1.2		Exchange programs between US and Russian power sector companies. Regulatory personnel included.	Definition: exchange trips for industry and regulatory bodies to UK and US conducted training program Unit: exchange trip	1995	0	2 (March)	2 (March)								
IR 1.5.1.2		Training programs developed and delivered to regulatory officials.	Definition: technical training programs on regulatory systems functions during and following power sector restructuring for senior and mid-level regulatory officials conducted Unit: training program	1995	0	4 (Oct.)									

Note: No USAID supported activity is foreseen beyond the latest year with data.

IR 1.5.1.2		Training programs developed and delivered to regulatory officials.	Definition: technical training program on rate development and electricity prices for regional regulatory officials conducted Unit: training program	1994	1										
IR 1.5.1.3	Commercially viable private power sector capability developed for production and distribution of power	Power Sector training programs developed, delivered and institutionalized.	Definition: technical training program on developing institutional capability in two institutes to deliver power sector training courses conducted Unit: training program	1995	0	2 (Sept.)									
IR 1.5.1.3			Definition: training modules on financial management and commercial operational practices conducted solely by two regional institutes Unit: regional institute	1995	0	0				2 (June)					
IR 1.5.1.3		Exchange visits conducted focusing on management practices	Definition: USEEA exchange visits in the areas such as management for senior managers, financial management, customs services, economical analyses, completed by December 1995. Unit: USEEA visit	1995	10	0				25 (Dec.)					
IR 1.5.1.3		Financial management and budgeting methods established at selected AO Energos	Definition: budgetary and financial planning manuals implemented at the selected enterprises (at 3-4 AO Energos and 3-4 Gencoes) and disseminated throughout the power industry Unit: manuals implemented	1995	0	0				x					

Note: No USAID supported activity is foreseen beyond the latest year with data.

IR 1.5.1.3		Financial management and budgeting methods established at selected AO Energos	Definition: technical training programs on electric power project financing, general and cost accounting for decision making purposes for regional managers conducted Unit: technical training program	1994	2 (Dec.)										
IR 1.5.1.3		RAO EES Rosel plan for divestiture of generation assets executed	Definition: detailed strategy assessment and work plan developed Unit: strategy assessment and work plan	1995	0	1 (Dec.- developed)						1 (May - implemented)			
IR 1.5.1.4	Wholesale Market in Electric Power Formed and Operating	Concept of oversight body of the Wholesale Market instituted	Definition: Wholesale Market Supervisory Council comprised of government, industry and consumer groups approved and established by Government Unit: Council established	1995	0	0		1 (Jan.)							
IR 1.5.1.4		Concept of oversight body of the Wholesale Market instituted	Definition: Supervisory Council held regular meetings and resolved operations issues Unit: operations issues resolved	1995	0	0				1 (Dec.)					
IR 1.5.1.4		Dispatch and Settlements Procedures for Wholesale Market established	Definition: Wholesale Market Supporting Organizations, including the National Dispatch Administration organized Unit: supporting organizations organized	1995	0	0		1 (July)							
IR 1.5.1.4		Dispatch and Settlements Procedures for Wholesale Market established	Definition: Government approval for legal, financial, organizational, and administrative approaches for paying and collecting settlement obligations gained Unit: Government approval gained	1995	0	1 (Jan.)									

Note: No USAID supported activity is foreseen beyond the latest year with data.

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NR 1.5.1.4		Dispatch and Settlements Procedures for Wholesale Market established	Definition: technical training programs focused on the regional dispatch centers management and operation of the power wholesale market for senior and mid-level managers and dispatchers conducted Unit: training program	1995	0	2 (June)									
NR 1.5.1.4		Recommendations for Wholesale Market Implemented	Definition: specifications for the organization and operation of the Wholesale Market Operator approved by the Government and /or Industry Unit: approved specifications	1995	0	0				1 (Jan.)					
NR 1.5.1.4		Economic contracting for sale and delivery of electric power through the Wholesale Market Implemented	Definition: contracting system for sale, purchase, and transport of electric power approved by the Government and /or Industry Unit: approved contracting system	1995	0	0				1 (Jan.)					
NR 1.5.1.4		Economic contracting for sale and delivery of electric power through the Wholesale Market Implemented	Definition: contracts for power sale and delivery for Kraenodar project signed Contracts Unit: signed contracts	1995	0	1 (Oct.)									
NR 1.5.1.4		Economic contracting for sale and delivery of electric power through the Wholesale Market Implemented	Definition: contracting system employed in pilot wholesale market areas Unit: contracting system employed	1995	0	0					1 (Dec.)				
NR 1.5.1.4		Economic contracting for sale and delivery of electric power through the Wholesale Market Implemented	Definition: a US based training program on contractual relations and management of a primary power sector organization in the restructured power system for senior and mid-level managers conducted Unit: US training program conducted	1995	0	1 (Oct.)									

Note: No USAID supported activity is foreseen beyond the latest year with data.

NR 1.5.2	Increased Local and Foreign Capital Investment in the Energy Sector	Investment promotion activities held in Russia and abroad	Definition: JEPAS investment needs and opportunities promoted Unit: investment promoted	1995	2	1 (June)											
NR 1.5.2		Investment promotion activities held in Russia and abroad	Definition: business round tables conducted in US (New York), London and Moscow for strategic investors Unit: round table	1995	0		2 (Jan.)	2 (Jan.)									
NR 1.5.2		Investment promotion activities held in Russia and abroad	Definition: Department of Energy conducted conference for RAO EES Rosel senior officials and leading mutual funds people. Unit: conference	1995	1												
NR 1.5.2		Ownership patterns and sample outline financial reports prepared on RAO EES Rosel operations.	Definition: limited review of the RAO EES Rosel company completed by June, 1996 and disseminated by September, 1996. Unit: review disseminated	1995	0	1 (Sep.)											
NR 1.5.2		CIP Program seminars conducted on application of the CIP supplied equipment	Definition: seminars presenting results of program impact studies demonstrating benefits of the EECIP in the areas of energy efficiency and environmental improvement conducted Unit: seminar	1995	0	0		4 (July)									
NR 1.5.2		CIP Program seminars conducted on application of the CIP supplied equipment	Definition: video demonstrating energy efficiency models prepared Unit: video	1995	0	0		1 (July)									

Note: No USAID supported activity is foreseen beyond the latest year with data.

NR 1.5.2		CIP Program seminars conducted on application of the CIP supplied equipment	Definition: video demonstrating environmental testing results of air, water and emissions quality prepared Unit: video	1995	0	0	1 (July)									
NR 1.5.2.1	Private and Public financing mobilized for specific investment projects in the energy sector	Thermal power plant financing completed	Definition: Kraenoder Power Project feasibility study submitted to the WB Board Unit: study submitted	1995	0	1 (Aug.)										
NR 1.5.2.1		Thermal power plant financing completed	Definition: Kraenoder Project loan by World Bank approved Unit: loan approved	1995	0	1 (Nov.)										
NR 1.5.2.1		Thermal power plant financing completed	Definition: the ownership group of the Kraenoder power plant comprised of domestic and foreign sources formed and cost sharing finalized Unit: cost sharing group finalized	1995	0	1 (Oct.)										
NR 1.5.2.1		Sector adjustment loan for coal sector completed	Definition: loan to Coal Sector approved by World Bank Board Unit: coal loan approved	1995	0	1 (Oct.)										
NR 1.5.2.1		Gas distribution metering projects completed	Definition: preparatory work relating to \$106 million World Bank loan for gas distribution efficiency improvement for the city of Volgograd completed Unit: preparatory work	1995	1											
NR 1.5.2.1		Gas distribution metering projects completed	Definition: procurement of about 1000 meters for residential consumers in Vladimir and Volgograd completed Unit: procurement completed	1995	0	1 (July)										

Note: No USAID supported activity is foreseen beyond the latest year with data.

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NR 1.5.2.1		Gas distribution metering projects completed	Definition: World Bank support for the technical and financial integrity of the newly privatized gas distribution companies (GDC) by financing network rehabilitation and asset preservation investments provided Unit: World Bank support	1995	0	1 (Dec.)											
NR 1.5.2.1		Energy Efficiency Funds developed and used to finance projects	Definition: Energy Efficiency Funds, Kostroma Fund for Energy Conservation, Yaroslavl Agency for Resources Conservation, and Omak Effective Energy Resources Usage, established by CENEF Unit: fund established	1995	1												
NR 1.5.2.1		CIP matching investments by private Russian companies deposited	Definition: deposits with estimated value of \$2.84 million made by private Russian importers of US equipment procured under BECP Unit: deposit	1995	0	2 (Sept.)											
NR 1.5.2.1		Co-Generation Projects financed	Definition: \$3 million incinerator system to burn solid municipal waste financed Unit: incinerator system	1995	0	1 (May)											
NR 1.5.2.1		Co-Generation Projects financed	Definition: \$4.8 million invested in fired gas generation sets in coal and oil sectors Unit: invested	1995	0	1 (Nov.)											
NR 1.5.2.1		Co-Generation Projects financed	Definition: \$ 3.7 million Modularized Liquid Propane Gas Plant (LPG) to recover propane/butane from associated gas financed Unit: plant financed	1995	0	1 (Nov.)											

Note: No USAID supported activity is foreseen beyond the latest year with data.

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IR 1.5.2.1		Power Sector Project Financed	Definition: Transmission/Dispatch Center Project financed Unit: project financed	1995	0	0				1 (Sept.)					
IR 1.5.2.2	Open and transparent accounting reports developed for selected AO Energies and Genco	IAS accounting equivalent reporting system prepared	Definition: manual for converting Russian accounting reports to IAS reports completed Unit: manual	1995	0	1 (April)									
IR 1.5.2.2		IAS accounting equivalent reporting system prepared	Definition: regional pilot training session conducted and IAS Accounting Manual introduced Unit: pilot training session	1995	0	1 (May-June)									
IR 1.5.2.2		IAS accounting equivalent reporting system prepared	Definition: procedures defined in the IAS manual instituted in first 10 enterprises by October 1996 and implemented by September 1997 Unit: procedures defined/implemented	1995	0	1 (Oct.)		1 (Sept.)							
IR 1.5.2.3	Elements of Capital Investment decision making addressed by regional enterprises	In-country and US training activities conducted	Definition: an in-country training program on general corporate management conducted Unit: training program	1995	0	1 (April)									
IR 1.5.2.3		In-country and US training activities conducted	Definition: in-country and US technical training programs on financial market concepts for regional management executives conducted Unit: training program	1995	0	3 (Feb.)	3 (Feb.)								

Note: No USAID supported activity is foreseen beyond the latest year with data.

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IR 1.5.2.3		In-country and US training activities conducted	Definition: in-country and US technical training programs on investment and integrated resource planning policies, economic and financial analyses of power projects for managers from oil, gas and power sub-sectors conducted Unit: training program	1994	3										
IR 1.5.2.3		In-country and US training activities conducted	Definition: US technical training programs on major aspects of oil and gas sector project preparation for investment and investment decision making for general manager in oil and gas companies conducted Unit: training program	1995	3										
IR 1.5.2.3		In-country and US training activities conducted	Definition: US technical training programs on major aspects of oil and gas sector project preparation for investment and investment decision making for general manager in oil and gas companies conducted Unit: training program	1995	3										
IR 1.5.2.3		Private sector initiative programs completed	Definition: mine management and technology pilots executed by PIER in Kemerovo and Rostov Unit: pilot executed	1995	0	0			2 (Sept.)						
IR 1.5.2.3		Private sector initiative programs completed	Definition: contracts executed between US coal equipment suppliers and Russian mine owners under PIER/CABNIS program Unit: contracts executed	1995	0	0			3 (March)						

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NR 1.5.2.3		In-country and US training activities conducted	Definition: a short term in-country training program on general corporate management conducted Unit: training program	1995	0	1 (April)										
NR 1.5.2.3		In-country and US training activities conducted	Definition: short term technical training programs on financial market concepts for regional management executives Unit: training program	1995	0	3 (Feb.)	3 (Feb.)									
NR 1.5.3	Improved Energy Efficiency and Demand Side Management programs developed and replicated in selected sectors															
NR 1.5.3.1	Energy Efficiency programs demonstrated	Energy efficiency improved at selected facilities	Definition: data collected and disseminated on energy consumed by equipment installed at four district heating sites Unit: data at heating sites	1995	0	0		4 (June)								
NR 1.5.3.1		Energy efficiency improved at selected facilities	Definition: energy efficient sodium vapor street lights installed in Moscow Unit: sodium street lights installed	1994	0	6,700 (June)										
NR 1.5.3.1		Demand Side Management Programs instituted	Definition: pilot projects implemented with Private Energy Service Company and AO Energo Unit: pilot project	1995	0	0		4 (April)								
NR 1.5.3.1		Demand Side Management Programs instituted	Definition: Integrated Resource Planning (IRP) software licensed and installed in organizations Unit: software in organizations	1995	0	0		3 (April)								

Note: No USAID supported activity is foreseen beyond the latest year with data.

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NR 1.5.3.1		CIP Program Activities promoted	<p>Definition: Impact studies of EECIP projects in the areas of decreased energy consumption, use of by-products and more effective energy use in oil, power, district heating, and gas sectors completed (AL)</p> <p>Unit: Impact study</p>	1995	0	0		14 (July)								
NR 1.5.3.1		Other Donor Activities	<p>Definition: EBRD loan for district heating efficiency improvement prepared</p> <p>Unit: loan prepared</p>	1995	0	0		1 (June)								
NR 1.5.3.1		Other Donor Activities	<p>Definition: EBRD-Gazprom Russia Unified Gas Supply System Study completed</p> <p>Unit: study completed</p>	1994	1											
NR 1.5.3.1		Other Donor Activities	<p>Definition: UNECE-EBRD Report on Finance Mechanisms for Investment in Energy Efficiency Demonstration Zones in the Russian Federation under "Energy Efficiency 2000" Intergovernmental project prepared</p> <p>Unit: project prepared</p>	1995	0	1 (June)										
NR 1.5.3.1		Other Donor Activities	<p>Definition: IEA-OECD seminar on "Russia's Energy Efficient Future. Regional Approach" held</p> <p>Unit: seminar held</p>	1995	0	1 (Feb.)	1 (Feb.)									
NR 1.5.3.1		Other Donor Activities	<p>Definition: EU-Teels Energy Centers to promote energy efficiency established in four Russian cities</p> <p>Unit: promotion done</p>	1995	4											

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IR 1.5.3.2	Commercially viable private sector capability to provide energy efficiency and environmentally sound services and equipment.	NGOs and private entities promoting energy efficiency established	Definition: income generated from service fees and contracts sufficient to cover operating costs for the Center for Energy Efficiency (CENEf) Unit: cost covered	1995	0	1 (Jan.)	1 (Jan.)										
IR 1.5.3.2		NGOs and private entities promoting energy efficiency established	Definition: sufficient revenues generated from membership and service fees to cover expenses of Russian Energy Managers Association (REMA) Unit: association cost covered	1995	0	1 (Sept.)											
IR 1.5.3.2		CIP equipment operated	Definition: CIP energy audit and reverse osmosis equipment supplied to CENEf and to VTI Unit: audit/ reverse supplied	1995	0	1 (Dec.)											
IR 1.5.4	Improved Natural Resources and Environmental Management Techniques in the Energy Sector	Self sustainable Oil and Gas Center established	Definition: the Russian American Technology Center generated sufficient revenues from membership and service fees to cover its expenses Unit: % of center's costs covered	1995	0	30		100 (Jan.)									
IR 1.5.4		Geophysical standards on natural resources development implemented	Definition: USGS geological equipment installed in five institutes and geological databases for selected geological regions created Unit: institute supported	1995	0	0		1 (Jan.)									
IR 1.5.4		Training programs for sector on environment and natural resources conducted	Definition: technical training program on pollution control and regulations for the environmentally safe oil and gas industry for senior environmental officials conducted Unit: training program conducted	1994	2												

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IR 1.5.4		Training programs for sector on environment and natural resources conducted	Definition: technical training programs on assessing environmental information, evaluation of mineral resources conveying exploration and development rights and general management issues for Western Siberia and Far East environmental officials conducted Unit: training program conducted	1995	0	6 (April)									
IR 1.5.4		Training programs for sector on environment and natural resources conducted	Definition: technical training programs on environmental assessment for the Russian oil and gas tenders in the Chukchi Sea and other Russian Provinces conducted Unit: training program conducted	1995	0	2 (Dec.)									
IR 1.5.4		Training programs for sector on environment and natural resources conducted	Definition: technical programs on environmental management for the firm, wastewater treatment and air pollution monitoring for the need of the Ministry of Fuel and Energy conducted Unit: training program conducted	1995	3										
IR 1.5.4		Proposals for comparable industry technical standards for industry adoption, developed by Oil and Gas Technology Center	Definition: deal between Russian American Oil and Gas Technology Center, American Petroleum Institute and Russian Institute on use of US standards for oil and gas equipment completed Unit: deal completed	1995	0	0				1 (Jan.)					

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Note: No USAID supported activity is foreseen beyond the latest year with data.

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NR 1.5.4		Energy sector associated by-products and pollutant waste used productively at selected sites	Definition: generation sets utilizing flared gas, methane emissions from mines and gas by-products to produce electric power installed Unit: generating set installed	1995	0	0		1 (Jan.)							
NR 1.5.4		Energy sector associated by-products and pollutant waste used productively at selected sites	Definition: heat produced from refuse incinerator system to burn forty metric tons of solid municipal waste per day seven days per week installed Unit: system installed	1995	0	0		1 (April)							
NR 1.5.4		Energy sector associated by-products and pollutant waste used productively at selected sites	Definition: oil skimmers to be used for removing oil spills resulting from pipeline accidents installed Unit: oil skimmers installed	1995	0	1 (Dec.)									

***optional:** use only when clarification of the performance indicator statement is necessary

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Note: No USAID supported activity is foreseen beyond the latest year with data.

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IR 1.5.2.3 The focus of USAID's efforts will move closer to the end-users and the decisionmakers most directly linked to these customers. Regional involvement of government and industry is essential if elements of capital investment decision making are to be rationally addressed by regional enterprises.

IR 1.5.3, improved energy efficiency and demand side management programs developed and replicated, will result from USAID support both to demonstration programs and through training of Russian private sector personnel in energy efficiency and environmental assessment as well as through promotion of U.S. trade relationships.

IR 1.5.3.1 Energy efficiency programs demonstrated. Integrated resource planning and pilot programs demonstrating demand side management will be used along with other demonstrations programs. Use of by-products to produce energy instead of releasing it to the environment will also be demonstrations. Such demonstrations will lead to rational evaluations by managers when energy investment decisions are made.

IR 1.5.3.2 Commercially viable private sector capability to provide energy efficiency and environmentally sound services and equipment. NGOs and Energy Managers Associations will be promoted and become self-reliant.

IR 1.5.4 emphasizes the link of energy to the natural resources used to generate it: Improved natural resources and environmental management techniques in the energy sector.

To achieve this objective, USAID will focus on two lower-level IRs:

IR 1.5.4.1 Introduction of international geophysical standards for Russian geological databases and US technical standards for the oil and gas sector. Introduction of these standards will allow and promote direct communication with US and Russian firms in these sectors.

IR 1.5.4.2 Improved practices in managing environmental hazards will be disseminated and used, e.g., in oil and gas leasing, environmental management of wastewater and atmospheric releases, demonstrations

of environmental technologies will improve the environment by burning mine-methane to generate electricity that would otherwise escape into the atmosphere and producing heat from refuse burning.

2. Overall Progress to Date

IR 1.5.1 Market and Competitive Forces in the Power Sector

As part of the mass privatization program Presidential Decrees 922 and 923 created a private electric power joint stock company, RAO EES Rossii, to provide reliable electric power and manage the 210,000 megawatt unified power utility. Under these decrees, RAO EES Rossii was given three years to develop a program for electric power sector restructuring.

USAID supported the basic analytical work needed for the company to consider proposals regarding alternative structures for the sector. This work was critical in ensuring that the Government and leadership of RAO EES Rossii were able to understand and adapt their planning data into a market-oriented analysis and to reach decisions on the structure and function of a new, more competitive electric power structure. Three key products continue to influence the restructuring:

- Unlike oil or gas prices, there is no world market price for electric power. Russia's planned tariff reform must be based on energy competitively bid into and sold from the wholesale markets based on costs. USAID-funded consultants developed a computerized market model, the Russian Electric Power Market Operational and Financial Framework (REPMOFF), to analyze different market structures for optimal system operations, financial settlements, pricing schemes and investment requirements. This model was used to analyze the types of wholesale markets to be recommended in the restructuring plan and is being used to further develop and refine the wholesale market dispatch, pricing, settlement and operational characteristics.
- Managing a competitive power utility also take different skills. The USAID-funded utility partnership program primarily focusses on changing management systems in regional electric and gas utilities. However, in conjunction with the work with utility companies, the partnership program is expanding to include involvement of regulatory bodies. Through December, 1995, under this partnership program, US regulatory commissions interacted

with Regional Energy Commissions in developing rate case approaches for developing competitive electricity tariffs.

- Finally, USAID support of advisors on natural monopolies have worked with the Ministry of the Economy. While modest, this is proving to be influential in the sector restructuring and the breakup of the RAO EES Rossii monopoly. USAID-funded analysis of natural power monopolies is expected to underpin the restructuring of other major industries: natural gas, rail transport, and telecommunications. A Policy Analysis Unit for Natural Monopoly Issues was established within the Ministry of Economy and USAID-financed assistance from the University of Maryland continues to support this Unit. Partly as a result of these studies, the Federal Law on Natural Monopoly was enacted in 1995 as a "framework" law dealing with the nationwide average tariffs.

IR 1.5.2 Increased local and foreign capital investment in the energy sector.

Defining the need for investment is necessary but not sufficient to attract the corresponding investment. Strategic investors need to have a clear picture of the financial state of the enterprise they are considering supporting. To provide this picture, USAID-funded advisors prepared a manual to relate Russian Accounting Regulations (RAR) to financial reports close to accepted International Accounting Standards (IAS) as a first step towards independent audits, the basic criterion to attract investment.

Much needed investment into this sector is also being actively promoted and the World Bank, with USAID support, is in the final stages of reviewing a major loan for a power plant project to the sector which will require major local and foreign equity capital. This project will be the most efficient energy project in Russia and will be state-of-the-art for environmental releases. With USAID support, the environmental approvals at the regional and federal levels have already been granted. This process included a local environmental public hearing in the project vicinity.

IR 1.5.3 Improved energy efficiency and demand side management programs developed and replicated in sectors

USAID's program of support addresses sector efficiency in the production and use of power through the introduction of energy efficiency measures, demand side management, promotion of private sector capability to provide energy efficiency

services and cooperation with other donors to finance demonstration projects.

The Russian-American Oil and Gas Technology Center (RAOGTC)-Tyumen, primarily funded by USAID to promote technology and commercial exchanges between the U.S. and Russia. It officially opened in September, 1995. The first periodic bulletin has been issued. Plans are in place for to conduct a feasibility study on cement standards to determine how Russian cement complies with international criteria. An Internet connection was established. The RAOGTC created a Home Page with information on equipment manufacturers operating in Russia. In just six months from its creation, the RAOGTC has generated revenues from membership and service fees which now account for 30 percent of its operating costs. The RAOGTC has also acted as a link between LUKOIL and the American Petroleum Institute to promote U.S. standards for oil sector equipment. This link is expected to develop into the establishment of an entity licensed to certify imported equipment for use in Russia.

3. USAID Contributions

USAID contributed about \$100 million (of which about \$48 million for nuclear activities), mostly in the form of technical assistance to the energy sector between 1992 and 1995. Analytical and advisory services have been well used by the Russian Government and RAO EES Rossii to support overall restructuring of the electric power sector and to bring market oriented management practices to the electric power sector specifically. The results are described above.

USAID-funded consultants have worked closely with World Bank initiatives in the regional electric power generating sector, the oil and gas sector, and in coal reforms. Given the magnitudes of investment needed for the energy sector of Russia to become more safe, more efficient and economically viable, and more environmentally-friendly, the major long-term investment resources of international institutions such as the World Bank, the EBRD, and the European Union are essential. But the private sector, both Russian and American, also needs to be brought into the picture. The involvement of AMOCO in the Krasnodar investment is directly attributed to USAID involvement in the feasibility study.

USAID funds have also been the catalyst for further coordination between U.S. and Russian energy producers, including the purchase of equipment by Russian firms which is both energy-saving and environmentally-sound. The Commodity Import Program equipment is just now being installed but may provide the basis for further U.S. purchases. In spring, 1996, two contracts between U.S. mining equipment

suppliers and Russian coal mine owners were signed as a result of interventions by PIER under its CABNIS activity. Partly as a result of management improvements and practices installed in SIDANCO, their shares, along with another oil giant -- LUKOIL, were singled out and offered to foreign and domestic investors.

4. Expected Progress in FY 1997 and FY 1998

Continued support to the Government of Russia and to RAO EES Rossii for implementing the electric power sector restructuring recommendations (and accomplishing the IRs noted above) will be the principal focus for USAID throughout this period.

USAID intends to work with other donors, such as the World Bank and the British Know How Fund, to assure this. On a broader scale, it is expected that the Government will implement the regulatory framework for competitive production and distribution of power throughout the country.

Specifically, the Government is expected to take action to formalize the policy with regard to the structure of the electric power sector. This action can be in the form of Presidential decree, Government Instruction or, ultimately, a series of laws. The work to be undertaken to address such issue areas will include: final rules for the wholesale market, regulatory functions for the mini-monopolies of transmission and distribution, settlements procedures for payments, dispute resolution amongst participants in the system, etc.

Similar work underway in Ukraine involves six or seven bilateral and multilateral donor agencies. The work in Russia is magnitudes greater but, at this stage, USAID is the only donor seriously engaged. Two approaches are planned and USAID is moderately confident that progress will be made.

- Continued strong donor commitment is needed from the present leading participants (USAID, British Know-How Fund, World Bank and EU-TACIS) as well as from other interested donors (Canada, Germany, Holland and EBRD). USAID, therefore, work with the World Bank and Government to develop an overall assistance package. This plan will form the basis for engaging the donor community in discussions on who is best poised to provide which type of assistance.
- Setting the right climate to attract private investment is also an issue for greater attention, especially as USAID's capacity to promote such investment

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directly is essentially nil under current funding levels. Questions often raised by potential investors deal with repatriation of capital, protection against dramatic exchange rate changes, and means to adjudicate disputes on key contracts such as purchase power and fuel supply agreements. Certification of imported technology which is new to Russia has been a major bottleneck in the CIP program and in general. It has dampened the desire of users to try to import and has had the negative effect of not forcing local manufactures to improve their product lines to comply with existing standards. The lack of competition from the imports also has contributed to the less than enthusiastic response of local suppliers to improve.

SO 2.1 Increased, better informed citizens' participation in political and economic decision-making

1. The Results Framework

Development Hypotheses

The informed participation of Russian citizens in the political and economic life of the nation is essential to making Russia's transition to a broad-based democracy and market economy stable and successful. To assure that participation is meaningful, people must have both access to information which will allow them to make sound choices, and systems and processes for exercising these choices.

The media are a primary means for informing citizens. Television and newspapers penetrate to the farthest corners of Russia. However, in order for information provided via the media to foster sound decision-making, it must not only be widely available and accessible but also objective and accurate. Historically, in Russia, the former has been true, while the latter has not. To address the problem of objectivity and accuracy, USAID has supported increased independence of the media, and in so doing, stimulated a wider dissemination of quality information.

Enhanced knowledge is of limited use unless it can be applied to influence decisions being made by business, community, and government officials. USAID has supported several initiatives to improve the mechanisms by which citizens express their views to officials and engage with them in dialogue.

Democratic elections are one such mechanism. Russians have worked hard since 1991 to make the electoral process occur in a free and fair manner. The high turnout in the Duma elections of December, 1995, are just one indicator that citizens' ability to express their views through political parties is important to them. USAID is also helping to develop alternatives to the ballot-box to enable people to interact with their officials on an on-going basis during non-election periods.

Non-governmental organizations (NGOs) and private sector options are expanding the ability of citizens to influence the actions of governmental, business and community leaders on the issues which affect citizens' lives.

USAID/Russia, therefore, adopts the ENI Strategic Objective 2.1 in its entirety:

Increased, better informed citizens' participation in political and economic decision-making.

Critical Assumptions

Achievement of this Strategic Objective will be possible if:

- Sub-national election commissions are able to implement Central Elections Committee's electoral regulations
- National government does not take steps to restrict activities of the independent media
- Citizenry translates knowledge about democracy and market economy into sound electoral choices (conversely: candidates and parties articulate their policy positions)
- Local officials do not restrict the activities of NGOs

Causal Linkages

To accomplish SO 2.1, three key Intermediate Results (IRs) must be achieved:

IR 2.1.1 Increasing the transparency of the electoral process and the technical abilities of key electoral and political institutions to administer the process will improve the fairness and operations of the political system and voters' confidence in it.

Specific actions which are necessary for accomplishment of this IR are:

IR 2.1.1.1 The Central Elections Commission is institutionally capable

IR 2.1.1.2 National and regional political parties' infrastructure developed

IR 2.1.2 By increasing citizens' access to needed information about the changing economic and political systems, they will be better equipped to make informed political and economic choices.

Strategic Objective 2.1
Increased, Better Informed Citizens' Participation in Political and Economic Decisionmaking



IR 2.1.1
Free and fair elections administered nationally and locally

Timeframe: June 1997
Development Partners:
 USAID, Canada

IR 2.1.1.1
CEC is institutionally capable

Timeframe: June 1996
Development Partners:
 USAID, Canada

IR 2.1.1.2
National and regional political parties' infrastructure developed

Timeframe: June 1992
Development Partner:
 USAID

IR 2.1.2
Increased public access to information which is needed for informed political and economic choices

Timeframe: June 1997
Development Partners:
 USAID, SOROS, know-how

IR 2.1.2.1
Independent broadcasters/information sources produce and widely disseminate high quality and objective information

Timeframe: end 1998
Development Partners:
 know-how, SOROS, USAID

IR 2.1.2.2
More programming produced and broadcast by independent stations in the regions

Timeframe: end 1998
Development Partners:
 SOROS, USAID

IR 2.1.2.3
Financial and institutional status of the media sector better developed

Timeframe: end 1997
Development Partners:
 know-how, USAID

IR 2.1.3
NGO sector provides alternative to "ballot box" for participating in economic and political decisionmaking

Timeframe: December 1998
Development Partner:
 USAID

IR 2.1.3.1
More effective NGO advocacy of people's needs

Timeframe: December 1998
Development Partner:
 USAID

IR 2.1.3.2
NGOs institutionally strengthened

Timeframe: December 1998
Development Partners:
 USAID, know-how, TACIS

IR 2.1.3.3
Increased public awareness of the role of NGOs in a democratic society

Timeframe: December 1998
Development Partner:
 USAID

Public understanding of democratic, economic and political reform (Refer. IR 2.2.4.1)

Cross-cutting IR
Supportive legal and regulatory environment in place

PERFORMANCE ASSESSMENT
Table I - Performance Data

RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
						1996		1997		1998		1999		2000			
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
SO 2.1	Increased, better informed citizen's participation in political and economic decision making		Definition: Unit:														
IR 2.1.1	Free and fair elections administered nationally and locally	Legislation establishing the process, timing, and independent management system is in place for national parliamentary and presidential elections	Definition: the above occurs by 12/95 for parliamentary elections, and by 6/96 for presidential elections Unit: national legislation in place Duma/President	1995	1	1 (June)											
IR 2.1.1.1	CEC is institutionally capable	CEC develops and distributes electoral law/regulation to sub-national electoral commissions, and provides training in its implementation	Definition: prior to 12/95 parliamentary elections, and 6/96 presidential elections Unit: training/materials provided	1995	1	1 (June)											
IR 2.1.1.2	National and regional political parties' infrastructure developed	Higher percentage of women and youth participate in party politics	Definition: In 6 target cities, youth and women's participation increases by 30% between 1993 and 1996 Unit: % increase in target cities relative to 1993			30											

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or RI) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
						1996		1997		1998		1999		2000			
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
RI 2.1.1.2		Regional and national parties adopt new methods of party organizing	Definition: regional party organizations are successfully using door-knocking, phone tree, and other canvassing/party recruitment techniques Unit: % increase in target cities relative to 1993			20											
RI 2.1.1.2		Regional political parties have expanded membership and operate more effectively	Definition: In 16 target cities, "membership" in democratic political parties has grown Unit: % increase in target cities relative to 1993	1993	0	10											
RI 2.1.2	Increased public access to information which is needed for informed political and economic choices	Independent information is more widely disseminated	Definition: Unit:														
RI 2.1.2.1	Independent broadcasters/information sources produce and widely disseminate high quality and objective information	Technical capacity of Internews-assisted stations to produce new programs increased	Definition: technical standard of production maintained or improved Unit:														
RI 2.1.2.1		Technical capacity of Internews-assisted stations to produce new programs increased	Definition: journalists trained in production best practice over life of project Unit: journalists trained								1,000						
RI 2.1.2.1		Technical capacity of Internews-assisted stations to produce new programs increased	Definition: journalists trained in use of electronic information technology Unit: journalists trained								100						

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
						YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 2.1.2.1		Technical capacity of Internews-assisted stations to produce new programs increased	Definition: number of stations using advanced international wire of picture services increases Unit: % increase								15					
IR 2.1.2.1		Technical capacity of Internews-assisted stations to produce new programs increased	Definition: Unit:													
IR 2.1.2.1		Technical capacity of Internews-assisted stations to produce new programs increased	Definition: better structured packages (verified by USAID monitoring of training, and monitoring of actual sustainability after program ends in 1998) Unit: improved packages													
IR 2.1.2.1		Journalists have increased access to a range of information and sources	Definition: increased use of wire services to disseminate financial information Unit: %													
IR 2.1.2.1		Journalists have increased access to a range of information and sources	Definition: increased access to sources for programs/ documentaries (verified by performance of SkateFree, ASA Media Archive, Internews satellite link-up, From Internews and MDP reports to MDP, program audits) Unit:													
IR 2.1.2.2	More programming produced and broadcast by independent stations in the region	Local media training institutes upgraded/established	Definition: producers and journalists trained through Internews and MDP Unit: trained producers and journalists								> = 1,500					
IR 2.1.2.2		Local media training institutes upgraded/established	Definition: improvement in standard of independent broadcasts Unit:													

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
YEAR	VALUE														
IR 2.1.2.2		Amount of locally produced programming increases	Definition: number of programs produced increases by one third Unit: % increases								33				
IR 2.1.2.2		Amount of locally produced programming increases	Definition: number of locally produced programs broadcast nationally increases Unit: %												
IR 2.1.2.2		Amount of locally produced programming increases	Definition: number of locally produced programs broadcast internationally increases Unit: %												
IR 2.1.2.2		Amount of locally produced programming increases	Definition: monitoring of daily broadcast schedules Unit:												
IR 2.1.2.2		Amount of locally produced programming increases	Definition: Unit: number of continuing TV series produced												
IR 2.1.2.2		Amount of locally produced programming increases	Definition: Unit: number of multi-media series produced (i.e. radio + TV)												
IR 2.1.2.2		Amount of locally produced programming increases	Definition: locally programs produced entirely by Russians Unit: number of programs												

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	TARGETS AND ACTUAL RESULTS														
				BASELINE DATA		1996		1997		1998		1999		2000				
				YEAR	VALUE	Target	Actual											
IR 2.1.2.2		Amount of locally produced programming increases	Definition: broadcasting slots for locally produced programming on local, national or international level maintained or improved Unit: improved broadcasting slots															
IR 2.1.2.2		Amount of locally produced programming increases	Definition: increased number of locally produced programs rebroadcast nationally or internationally Unit: number of rebroadcast local programs															
IR 2.1.2.2		Amount of locally produced programming increases	Definition: overall percentage of local programming broadcast increased Unit: % increase							50								
IR 2.1.2.2		Capacity of Russian institutions to produce programs increased	Definition: production of indigenous Russian program "In the Name of the Law" as a partnership under MDP Unit: new legal program															
IR 2.1.2.2		Capacity of Russian institutions to produce programs increased	Definition: establishment of a media investment fund to help underwrite the costs of local production Unit: new media fund															
IR 2.1.2.3	Financial and institutional status of the media sector better developed	Station financial managers apply improving management practices	Definition: number of financial managers trained either in country or in the states Unit: trained financial managers															

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
						1996		1997		1998		1999		2000			
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
IR 2.1.2.3		Station financial managers apply improving management practices	Definition: standard of financial management improves in over 150 independent stations by end 1998 Unit: independent stations with improved financial management							150							
IR 2.1.2.3		Market research industry developed	Definition: Unit:														
IR 2.1.2.3		Professional associations of journalists established	Definition: Unit:														
IR 2.1.3	NGO sector provides alternative to "ballot box" for participating in economic and political decision-making	Increase in number of different types civic, professional, and community organizations	Definition: in 3 target regions, increase in types of organizations Unit: % increase			20											
IR 2.1.3		Increase in membership size of NGOs	Definition: in 3 target regions, by 1997, increase in average membership size of NGOs Unit: % increase			30											
IR 2.1.3.1	NGO advocates more effectively for members' needs/interests	NGOs advocate on issues of importance to communities	Definition: in 10 cities, NGOs participate in public budget hearings and influence financial allocation decisions Unit: cities with reformed NGO														
IR 2.1.3.1		NGOs advocate on issues of importance to community	Definition: in USAID's 3 target regions, 15 NGOs have received competitively issued contracts to provide services to local govts Unit: NGO with competitive contract			15											

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS														
						1996		1997		1998		1999		2000						
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual					
IR 2.1.3.1		Increase in level of activity, and number of NGOs, engaging in civic advocacy	Definition: In 3 regions, and on national level, NGOs introduce legislation/provide input to legislative process on issues affecting their operations/ interests Unit: new legislation introduced																	
IR 2.1.3.2	NGOs institutionally strengthened	More NGOs are operating on a financially stable basis	Definition: In 3 regions, of USAID-assisted NGOs have developed financial management/planning strategies Unit: % NGOs in target region			50														
IR 2.1.3.2		More NGOs have enhanced management capabilities	Definition: USAID-assisted NGOs "graduate" to managing larger grants Unit: % NGO graduated			15														
IR 2.1.3.2		More NGOs have enhanced management capabilities	Definition: larger share of partnership grant funds provided to Russian partner (versus US partner) Unit: %																	
IR 2.1.3.2		5 resource centers serve expanded NGO client base	Definition: Increase in demand for services by 1997, as measured by number of requests for services/support Unit: % increase in requests			30														
IR 2.1.3.3	Increased public awareness of the role of NGOs in a democratic society	Public demand for NGO (services, participation in, and collaboration with) increases	Definition: In 3 regions, networks of issue-based NGOs are established Unit: NGO network established																	
IR 2.1.3.3		Public demand for NGO (services, participation in, and collaboration with) increases	Definition: the membership base of NGOs in 3 target regions has increased by 10% each Unit: % increase membership			10														

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS															
						1996		1997		1998		1999		2000							
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual						
IR 2.1.3.3		Greater public understanding of NGO functions/roles	Definition: public opinion polling in Central and Southern Russia demonstrates increased understanding of NGO roles Unit:																		
IR 2.1.3.3	Cross Cutting Supportive legal and regulatory environment in place	Media Clear and Transparent legal framework for media vigorously pursued	Definition: Unit:																		
IR 2.1.3.3		Increased flow of legally licensed programming, allowing for greater access across international borders	Definition: Unit:																		
IR 2.1.3.3		NGOs NGOs participate in formulating legislation affecting their operations	Definition: in 3 regions, and on national level, NGOs introduce legislation/provide input to legislative process on issues affecting their operations/ interests Unit: new legislation introduced																		
IR 2.1.3.3		Improved public access to legal information affecting NGOs	Definition: legal guide updated and provided to 3,000 NGOs and local governments for public distribution Unit: NGOs or local govt with legal guide					3,000 (Sept.)													
(Refer. IR 2.2.4.1)	Public understanding of democratic, economic and political reform		Definition: Unit:																		

*optional: use only when clarification of the performance indicator statement is necessary

Note: No USAID supported activity is foreseen beyond the latest year with data.

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Contributing to this IR are:

- IR 2.1.2.1 Strong independent broadcast stations are better able to produce and air quality programming
 - IR 2.1.2.2 Independent stations provide an alternative to state information, and increase coverage of local/regional issues
 - IR 2.1.2.3 The stronger, and more financially viable that professional intermediary institutions (broadcasting association, regional press association, journalists trade publication) are, the better they can serve the needs and represent the interests of journalists. In addition, the existence of alternative mechanisms to centrally-provided information distribution systems (electronic newspaper, non-state financed printing press) enhances the diversity of viewpoints available to public.
- IR 2.1.3 An improved environment for, public awareness of, and functioning of NGOs, will provide citizens another mechanism for advancing their interests and engaging in public dialogue/policy formulation with officials -- an alternative to the ballot box for participating in economic and political decision-making.
- IR 2.1.3.1 By developing their capacity to represent and serve their client populations through effective advocacy, NGOs will give people another mechanism for participating in economic and political decision-making
 - IR 2.1.3.2 By developing their capacity to manage resources well, to develop programs of interest to the public, and by honing fundraising skills, NGOs will be stronger institutions and capable of providing a sustainable service to citizens
 - IR 2.1.3.3 Citizens who understand the potential of NGOs to advance their interests are more likely to support and become involved with NGOs and to value the services provided.

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2. Progress to Date

IR 2.1.1 Free and Fair Elections Administered Nationally and Locally

The International Republican Institute, which has conducted three election observer missions in Russia over the past three years, found the December 17, 1995 Duma elections to be "a technical step forward in Russia's democratic transition, as demonstrated by continued refinements in the election law and practices, the range of views offered by political parties, and the level of interest displayed by Russian voters in the election."

Although there was no single democratic bloc in the December elections, NDI encouraged democratic parties and candidates to coordinate in single-mandate districts to eliminate needless vote-splitting. By the time of the election, Yabloko and Democratic Choice of Russia cooperated on supporting a single candidate in over 80 percent of the 225 electoral districts. NDI's civic advocacy program had a noticeable impact on the involvement of civic groups in the election process. In five cities, civic groups took initiatives, with NDI support, to advance their specific issues, educate voters, back candidates and campaigns, promote voter participation, and insure the legitimacy of the elections.

Through IFES, the Russian Central Election Commission has improved poll-worker training and has improved its systems for dealing with key issues for administering elections, such as campaign finance, ballot security, reporting election results and adjudication of grievances.

In brief,

- Over 8,000 party activists and civic organizers in 18 cities were trained in campaign techniques, party outreach and management. Application of these new skills strengthen the linkage between parties and voters, and make parties more responsive to their constituencies.
- Links between national party organizations and regional offices were established in eight target regions. Links between political parties, civic groups and government structures were established in eight target regions.
- The Central Elections Commission (CEC), restructured in fall of 1993, now has an improved ability to administer national elections, and is able to provide quality training to the 89 Regional Election Commissions and 225 District Election Commissions.

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IR 2.1.2 Increased Public Access to Information Needed for Informed Political and Economic Choices

Over the past four years, Internews has linked a group of almost 70 TV stations throughout the NIS into a news exchange network, allowing for the sharing of material which independently produced by the participating stations. The final, edited program is broadcast by members of the news exchange network in their regions. Internews envisions that, by the end of 1996, this will grow into a daily broadcast news.

Today, independent TV is accessible to around a third of the population, helped to a large degree by USAID-funded activities carried out by Internews. Professionals report a noticeable improvement in both technical quality of independent television as well as better quality of content -- more coverage of local news, more balanced coverage of national news.

Internews has been joined in its efforts to support and expand independent media, however, by the more recently-established Media Development Program (MDP). This USAID-funded program fosters partnerships that are attempting to strengthen the infrastructure of the media as a whole. One MDP partner, the Russian National Association of Telebroadcasters, acts as a lobbying organization on issues important to all independent TV stations. They have already had two notable tax successes -- income tax for independent stations has been reduced from 35 percent to around 22 percent, and VAT has been removed from advertising, which essentially makes advertising cheaper to buy.

Summing up accomplishments:

- 20% of all broadcast programming in Russia is provided by independent television stations (40 percent is expected by the end of 1998).
- Twenty regional independent television stations and twelve newspapers serve as the primary source of news in their regional markets, thus providing a forum for information independent of state sources.
- Eighty regional independent television stations receive legally-procured cultural programming (Open Skies Network) and locally-produced regional news (Local Time) on a weekly basis.
- Standardized audience research is beginning to available at a reasonable price

to independent stations through the Russian independent media company, Ratings R. This research is essential for stations to target audiences for advertising purposes, and is thus key to station financial viability.

- Effective commercial media laws are being developed and curriculum has been introduced into major law schools (Moscow Academy of Law and MGIMO State University).
- A Russian National Association of Telebroadcasters and a National Newspaper Association is beginning to provide information resources to the television broadcasting and print industries. These organizations will coordinate lobbying efforts, specifically targeting tax issues. The associations will also have the capacity to run tailored seminars for members in areas such as management, advertising and public relations.
- Low-cost independent wire services are available for independent newspapers in the mid-Volga region (encompasses 82 newspapers), and a model for managing regional wire services is available for other regions across Russia.

IR 2.1.3 NGO Sector Provides Alternative to "Ballot Box" for Participation in Economic and Political Decision making

In 1991, there were a handful of NGOs operating in Russia. In 1996, it is estimated that there are over 40,000 registered NGOs in Russia -- and many have availed themselves of or benefitted by a variety of USAID-supported services.

In 1995, the Federal Duma passed several NGO laws, including the Law "On Non-Commercial Organization," "On Charities," and "On Public Associations." Through its programs, USAID has contributed to the drafting, debate, distribution and education regarding these laws.

ORT/Russia has provided computer training to over 1,000 NGO representatives as a part of comprehensive NGO training program designed to enhance the professionalism of the sector. Counterpart Foundation has coordinated 32 training programs with participation by over 985 NGO representatives since the inception of the Civic Initiatives Program. Workshops have covered such topics as strategic planning, fundraising, coalition building, financial management, leadership skills, proposal-writing, and civic advocacy.

A Three Sector Initiative Group which includes members from NGOs, government and business sectors was born out of USAID-funded NET training with participants selected by the Siberian Center.

3. USAID Contributions

Since 1992, USAID/Moscow has contributed over \$62 million in support of this strategic objective, through grants to the National Democratic Institute, the International Republican Institute, the International Foundation for Electoral Systems, Internews, World Learning, and Save the Children. Support for the independent media alone has totalled about \$15 million with the vast majority of that funding representing training and technical advisory services; much less has been devoted to equipment and procurement of programming.

NGOs have received support not only through Project 0007, but also through other project mechanisms as well. Between FY 92 and FY 95, USAID committed \$435 million to Russia through partner U.S. PVOs, Russian NGOs, universities, and other nonprofit organizations.⁵

In many of these areas, USAID has been the first and/or principal donor assisting Russian effort. This is the case with independent media and work with the Central Election Commission. USAID's work with political parties has evolved over time: from a focus on developing party infrastructure itself, to helping forge the critical linkages among parties, local governments, and nongovernmental organization. Likewise, USAID support to nongovernmental organizations has been critical in its ability to address systematic issues hindering the growth and operations of all NGOs.

4. Progress Expected in FY 96 - FY 98

The June 1996 Presidential Elections will be a key turning point in USAID strategy in support of this objective. Careful monitoring of program leading up to the election, and evaluation of impact following the election is essential to ensuring our programs remain on target in the future.

In the next three years, the support to the media and non-governmental organizations

⁵ Funds managed by commercial (profit-making) partners in the same period totalled \$563 million while about \$380 million was managed by other USG organizations, international organizations, other kinds of organizations, and individuals.

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will be the focal point of USAID's support in this area. Although work with political parties will continue, it will be at a lower level and will shift from an emphasis on national party structures to regional party organizations as they interact with local and regional governments.

In addition, through other programs (Rule of Law: IR 2.2.4.1, and Private Sector Development: SO 1.3) USAID is working to raise public understanding of how democracies and market-economies function.

Significant progress is expected in the form of increased capacity and size of the NGO community. As a result of USAID involvement,

- The staff and management of 500 NGOs in Central Russia, Southern Russia and Siberia will have received training to build skills necessary to function as self-sustaining organizations, resulting in their increased ability to attract members/staff/volunteers, provide services, raise funds and advocate their members' agenda to local officials.
- Approximately 400 NGOs in Russia's regions, who receive USAID micro-grants in support of individual project development, have an improved ability to manage funds and deliver services.
- Three self-sustaining NGO support centers (in Moscow, Novosibirsk and Krasnodar), which provide a forum for information sharing, training facilities, and networking support are established to continue NGO services following the end of USAID funding.
- A more conducive legal and regulatory environment for NGO creation and development, both nationally and regionally.
- Issue-focussed NGO groups, such as human rights groups, women's organizations and environmental groups will have developed the capacity to influence public policy on the local and national level.
- Weekly radio broadcasts provide information on the free trade union movement to thousands of workers in Yekaterinberg, Kemerovo, Nizhni Novgorod, and St. Petersburg.
- Over 2000 free trade union members are being trained in basic trade unionism and collective bargaining techniques.

SO2.2 Legal systems that better support democratic processes and market reforms

1. The Results Framework

Development Hypotheses

The intent of Strategic Objective 2.2 is the emergence of a law-based society. There are number of key Russian institutions and individuals in a position both to contribute to the content of the needed legal reforms and to assure their fair and impartial application. These institutions and individuals generally belong to one of five groups: the legislature and the administration, the Courts, the legal profession, grassroots organizations and citizens, and the enforcers.

Legislation passed by the Parliament and decrees issued by the President and Prime Minister provide the "rules of the game," the necessary foundation for any legal action. The courts are the "referees" who ensure that the rules are followed. Lawyers are the "coaches" who know the rules and teach the players how to play the game as well as train up the next generation of "coaches." At the grassroots are the "players," the ones for whom the game is being played, and the ones without which the game would make no sense. Finally, law-enforcement agencies assure that all players follow the rules and levy the penalties when they do not.

USAID programs work to support the first four groups, and are coordinated closely with other USG agencies who are addressing the fifth. In particular, in the area of prevention of crime and corruption, USAID works to develop the ability of the procuracy to interpret/administer the legal process in a more fair manner. This work is closely complemented by the work of the U.S. Department of Justice (FBI, DEA) and the Treasury (IRS, Customs, Secret Service) agencies. These programs assist Russian enforcement agencies and officials to enforce criminal provisions of the law.

Critical Assumptions

If USAID is to accomplish this ambitious strategic objective, it is assumed that:

- The Russian Government will continue its support of legal reform;
- The World Bank Legal Reform loan will be signed;
- Grassroots organizations will be able to function in an unhampered way; and

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- Structural changes within the judiciary will ensure the independence of judges.

Causal Linkages

Four elements of reform must be realized in Russia's legal system in order that they meet the conditions of the SO for "better support [of] democratic processes and market reforms:"

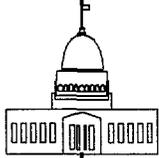
I.R.2.2.1 Legislation is one of the four major components of any legal system. No serious reform of Russia's system can take place until legislation which addresses the realities of a market economy while embodying fundamental democratic principles is in place.

I.R. 2.2.1.1 One half of the legislative process is having the proper draft laws available for consideration by the legislature. Without draft laws, the legislative body is left to guess on how to formulate laws in areas in which they have no expertise.

I.R.2.2.1.2 The second half of the legislative process is having an open and informed debate of the developing legislation, during which period it is possible for citizens' views to be heard. This means having legislatures who are aware of the consequences of enacting a particular version of a law and a populace which is aware of the legislative process and contributes its comments towards it.

IR 2.2.2 The second major component of legal reform is the courts. Law is both interpreted and enforced by the courts. Legal reform, therefore, requires that Russian courts improve their ability to administer their work effectively and to interpret and apply an evolving body of unfamiliar law.

Strategic Objective 2.2
Democratic Systems that better support democratic processes and market reforms



IR 2.2.1
Legislation more supportive of market and democratic processes

Timeframe: 12/97
Development Partners:
 USAID, World Bank

IR 2.2.1.1
A body of critical commercial, electoral and civil legislation exists

Timeframe: 12/97
Development Partners:
 USAID, World Bank

IR 2.2.1.2
More transparent, open and informed process of legislation

Timeframe: 12/97
Development Partners:
 USAID, World Bank

IR 2.2.2
Better administration, interpretation and application of law

Timeframe: 12/97
Development Partners:
 USAID, World Bank

IR 2.2.2.1
Better judicial understanding of law and judicial ethics

Timeframe: 12/97
Development Partners:
 USAID, World Bank

IR 2.2.2.2
More effective bar associations

Timeframe: 12/97
Development Partners:
 USAID, World Bank

IR 2.2.2.3
Improved continuing legal education

Timeframe: 12/97
Development Partners:
 USAID, World Bank, DOJ

IR 2.2.3
Higher standards and competence in the legal profession

Timeframe: 12/97
Development Partners:
 USAID/World Bank, DOJ

IR 2.2.3.1
Strengthened law schools

Timeframe: 12/97
Development Partners:
 USAID, World Bank

IR 2.2.3.2
More effective human rights organizations

Timeframe: 12/97
Development Partner:
 USAID

IR 2.2.4
Increased citizens access to courts to exercise rights

Timeframe: 12/99
Development Partner:
 USAID

IR 2.2.4.1
Better people's understanding of their rights and legal processes

Timeframe: 12/99
Development Partner:
 USAID

PERFORMANCE ASSESSMENT

Table I - Performance Data

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 2.2	Legal systems which better support democratic processes and market reforms														
IR 2.2.1	Legislation more supportive of market and democratic processes														
IR 2.2.1.1	A body of critical commercial, electoral and civil legislation exists.	<u>TBD</u> Laws consistent with market principles adopted. See IR 2.1 Cross Cutting.	Definition: see list of anticipated draft laws Unit:	1993	0										
IR 2.2.1.1		<u>TBD</u> Laws consistent with market principles adopted. See IR 2.1 Cross Cutting.	Definition: parliamentary library fully modernized and automated Unit: improved library	1994	0	1									
IR 2.2.1.2	More transparent, open and informed process of legislation	Draft legislation reflective of international norms developed with wider input	Definition: creation and continued functioning of a non-governmental think tank for the drafting of laws Unit: NGO think tank established	1995	1										
IR 2.2.1.2		Draft legislation reflective of international norms developed with wider input	Definition: laws drafted. See list of anticipated draft laws Unit:	1995	0										

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
						1996		1997		1998		1999		2000			
						YEAR	VALUE	Target	Actual								
IR 2.2.2	Better administration, interpretation and application of law	Increased equal treatment of equal cases	Definition: improved ability to apply law and rules of procedure, as based on sample surveys Unit: %	1995	0	75 (Dec.)											
IR 2.2.2.1	Better judicial understanding of law and judicial ethics	Better compliance with existing norms and incorporation of substantive and procedural changes	Definition: of judges who receive training understand and incorporate changes Unit: % judges applying new knowledge	1993	0	80											
IR 2.2.2.2	Improved court administration	Efficiency in processing cases	Definition: decrease in time necessary to process a case in the Supreme Commercial Court Unit: % decrease case processing time	1995	0	20											
IR 2.2.3	Higher standards and competence in the legal profession	Practicing attorneys function more effectively	Definition: TBD Unit:														
IR 2.2.3.1	Strengthened law schools	Improved capacity of schools to provide advocacy training and a modern curriculum	Definition: materials for 5 new subjects distributed to all members of the Russian Association of Law Schools Unit: materials distributed	1993	0	1											
IR 2.2.3.1		Improved capacity of schools to provide advocacy training and a modern curriculum	Definition: number of law students receiving advocacy training reaches of student body in five major law schools Unit: % student body	1993	0	10											

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
						YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
IR 2.2.3.1		Establishment of a Russian Association of Law Schools	Definition: Unit: member in new association	1995	0	25										
IR 2.2.3.2	More effective bar associations	Association services to members improved and increased	Definition: Karelia Bar offers continuing legal education courses Unit: new course offering	1992	0			3								
IR 2.2.3.2		Association services to members improved and increased	Definition: nascent bar associations better define their function and relationship to members Unit: improved bar association	1993	0	6										
IR 2.2.3.3	Improved continuing legal education	Better lawyers' understanding of law, court room practice, advocacy and ethics in 6 target regions	Definition: lawyers who receive training understand concepts and are willing to apply them to practice Unit: % trained lawyers who improve	1993	0	80		80 (Dec.)								
IR 2.2.4	Increased citizens access to courts to exercise rights	Percent of people who believe the courts are fair	Definition: increase in the number of people who believe courts are fair between 1996 and 1998 Unit: % increase in positive attitude	1995	0					20						
IR 2.2.4.1	Better people understanding of their rights and legal processes	See IR 2.1.4.2 Number of people aware of their rights and basic human rights issues	Definition: Sakharov Human Rights Center and Museum founded with 5,000 people visiting it in the first year Unit: museum established	1992	0			1								

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
						1996		1997		1998		1999		2000			
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
IR 2.2.4.2	More effective human rights organizations	Human rights centers are providing services to human rights organizations	Definition: 2 key human rights centers expand services to meet the needs of human rights organizations Unit: improved human rights center	1992	0			2 (Dec.)									
IR 2.2.4.2		Network of human rights centers are better able to carry out work	Definition: regional human rights centers have publicized and received results in key human rights areas Unit: improved human rights center	1992	0			9									

*optional: use only when clarification of the performance indicator statement is necessary

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Note: No USAID supported activity is foreseen beyond the latest year with data.

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- I.R.2.2.2.1 The most important role of a judge is as the interpreter of the law. No matter how clearly a law is formulated, questions always arise as how to apply it to a particular situation. A judge who is not well versed in the law will not be able to do this in an appropriate and consistent manner. Further, a corrupt judge will not do this. Better judicial understanding of law and judicial ethics is crucial.
- I.R.2.2.2.2 Justice delayed is justice denied. Regardless of how well informed a judge is, if a court's docket is hopelessly backed up, it will cease to function as an acceptable medium for the resolution of conflicts. Improved court administration will help ease this common problem.
- I.R.2.2.3 The third component of a legal system are the legal practitioners. Lawyers are in many ways facilitators. They do not decide outcomes but only ensure the proper functioning of the system. They do this by advocating for the interests of their client (whether private or state) and steering the parties through a complex and confusing system, ensuring proper presentation of evidence, timely compliance with deadlines and client understanding of the matter. Lawyers also act as a check on the system, appealing incorrect decisions of judges. Higher standards and competence in the legal profession is a fundamental underpinning of the improved legal systems described in the SO.
 - I.R.2.2.3.1 To improve the competence of the legal profession one must address the training grounds -- the law schools. It is in the law schools where lawyers learn not only the law, but also the necessary analytical skills needed to make effective advocates, legislatures and judges.
 - I.R.2.2.3.2 Bar associations serve as a focal point for the legal profession. It is through bar associations that lawyers set standards for the profession and ensure a minimum level of confidence out of each members. Bar associations also often serve as facilitators of progressive social movements and are major providers of pro-bono legal assistance.

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I.R.2.2.3.3 As laws and legal practices change, a lawyer must remain up to date to be effective. It is only through an effective system of continuing legal education that the competence of lawyers can be assured.

I.R.2.2.4 Ultimately, legal reform must be demand-driven. It is only when the people are willing to use the courts and lobby the legislatures to ensure that their rights are protected by law that true, progressive reform occurs.

I.R.2.2.4.1 Unless people know of their rights and how to enforce them their rights are illusory.

I.R.2.2.4.2 Through an effective system of human rights organizations, citizens can learn of their rights and how to enforce them.

2. Results to Date

SO 2.2 Legal Systems That Better Support the Democratic Processes and Market Reforms

IR 2.2.1 Legislation More Supportive of Market and Democratic Processes

The USAID-funded Legal Reform Project being implemented by Harvard Institute for International Development (HIID) continues to forge ahead in the area of legislative drafting. Many of its signal achievements are noted above with regard to SO 1.3 and IR 1.3.1. The project's recent successes have been the adoption of Part II to the Civil Code and the Law on Joint Stock Companies. The team was also a major force behind the rejection of a Communist-backed land code. HIID is now focusing its efforts on securities regulation.

In February, the ARD/Checchi Rule of Law program worked with the Moscow Organized Crime Center to hold a conference on the emergence of computer crime in Russia. In March, the Center held a conference on money laundering and the shadow economy in Russia. Through an inter-agency transfer to the Department of Justice, Russian drafters of the criminal procedures code have received commentary on the draft code.

IR 2.2.2 Better Administration, Interpretation and Application of the Law

Jury trials are currently available to citizens in nine oblasts across Russia, the result of USAID-support to regional governments. Jury trials are scheduled to commence in twelve more regions in 1996. The American Bar Association continues to support the jury trial process by holding regular training seminars where Russian defense attorneys are exposed to the principles of advocacy and courtroom procedure.

The mock jury trial training facility at the Law Academy, funded through the ARD/Checchi-managed activity, continues to receive heavy usage. Judges from the Courts of General Jurisdiction are trained in procedures related to both jury trials and also the more common bench trials. In December, 1995, the National Judicial College held a judge training seminar at the Law Academy in Moscow. Topics covered included evidence, court room proceedings and the role of the judge in the courtroom.

IR 2.2.3 Higher Standards and Competence in the Legal Profession

ARD/Checchi technical staff quickly responded to the promulgation of Part II of the Civil Code. 1600 copies of Part II with commentary by the drafters, one for each justice of the Commercial Court, have already been distributed. At the same time, ARD/Checchi has distributed a bench book to every presiding judge of the Commercial Court which covers all major areas of commercial law and offers guidance on how to interpret current law.

As part of its curriculum development work with Russian law schools, ARD/Checchi has introduced American trial advocacy teaching methodology at two major Russian law schools. In February 1996, representatives of about 25 law schools from all over Russia attended the first formal meeting of the Russian Association of Higher Legal Education. The new organization has ambitious plans for enhancing the status of Russian legal education, improving curriculum and teaching methods, trying to coordinate the publishing and distribution of publications, and hopes to play a role in the process of law school accreditation. This Association would not have been formed, at least not now, were it not for the assistance provided by USAID through the American Association of Law Schools.

IR 2.2.4 Increased Citizen Access to Courts to Exercise Rights

A program of small grants funded by USAID has come into full swing with USAID financing and ARD/Checchi management. A number of activities have been launched

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covering such topics as tax reform, womens' rights and freedom of the press. Of particular note was a conference given by the University of Arizona aimed at informing women of their rights and combating the pervasive problem of discrimination and domestic violence.

The IREX-managed Institutional Partnerships activity has resulted in the establishment of a network of ten regional human rights centers throughout Russia (St. Petersburg, Nizhnii Novogorod, Yekaterinburg, Rostov on Don, Irkutsk, Novosibirsk, Vladivostok, Omsk, Arkhangelsk, and Tomsk. The network is the creation of America's Development Foundation International and the Moscow Research Center for Human Rights.

A newer program, and not yet in full operation, has resulted in the establishment of the Sakharov Memorial and Human Rights Center. A museum and human rights center dedicated to the memory of human rights activist Andrei Sakharov is under renovation.

3. USAID's Contribution

Since 1992, USAID/Moscow has funded over \$15 million in activities in support of this strategic objective, through grants to the American Bar Association, the Harvard Institute for International Development and the Free Trade Union Institute, a contract with the ARD/Checchi Rule of Law Consortium, and inter-agency transfers to the Congressional Research Service and the Department of Justice.

USAID has played a key role in introducing models, including reviving the use of the jury trial into Russia's criminal judicial practice. In addition, USAID's work in the areas of judicial training and commercial law drafting has been critical in paving the way for an upcoming \$65 million legal reform loan (which should be approved in June, 1996) from the World Bank.

4. Expected Progress in FY 1997 and FY 1998

Because the magnitude of USAID resources is so small relative to the scale of the effort needed to transform Russia's authoritarian, non-market-oriented system of law to a rule-based system which encourages citizen participation and promotes competitive markets, focus has always been a critical part of USAID program management. The Legal Reform Project has emphasized the creation of the basic

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framework of laws needed for a market economy. The Rule of Law portfolio of activities has worked with the institutions teaching and applying the new laws. Specific activities which were not as effective as hoped have been dropped in favor of others. A great emphasis has been placed on training of Russians in western legal concepts and on giving them on-the-job training in both development and application of new systems. Most recently, activities have been modified to provide technical assistance to contribute to the groundwork for a planned World Bank loan in legal reform (\$50 - \$100 million).

Careful coordination with and support for the Russian Government and the World Bank as they negotiate the legal reform loan is the most important contribution USAID can make to achieving this Strategic Objective over the next year. This loan will represent a serious commitment on the part of the Russian Government to invest in the reorientation of both the legal system and the people who make it function. The loan will address four areas of assistance: legal drafting, legal information, legal education and reform, and judicial reform. USAID programs in judicial training, legal education and legislative drafting are laying the foundation for the World Bank's support.

By the end of 1997, we expect that, with USAID assistance, Russia will have developed some useful models and the principles required to establish a modern legal system, and that these will be expanded through the World Bank loan into the year 2000. Legislation based on the principles of democracy and a market economy will exist, along with the regulatory support necessary to their proper functioning. Based on the Vermont/Karelia model, three additional target regions will have developed functioning legal reform programs. The regional legal reform programs serve as demonstration models of effective interaction between the courts, the advocates and prosecutors, the law schools and the regional ministries of justice.

Jury trials, utilizing modern equipment and standardized training, will be actively functioning in 13-15 regions across Russia. Re-introduction of jury trial helped reduce the number of verdicts of "guilty" (under the old judicial system about 99% of verdicts were guilty due to bias of judges and the fact that the results of pre-trial investigation were often falsified). Adversarial methodologies, such as cross examinations, will be understood and effectively practiced in the Courts of General Jurisdiction. A modernized training program, which educates judges on these new methodologies, will be available on a regular basis for all 18,000 civil court judges in the Russian Law Academy and its regional offices.

In short, the judiciary will have an improved understanding of the law and how to

be an impartial arbitrator in a fair system. Lawyers will increasingly view themselves as advocates, exercising all legal and ethical means to achieve a fair and just outcome for their clients. Most importantly, people will have more trust in the fairness of the legal system and more frequently use it to settle their disputes and advance their rights.

We also expect that USAID assistance will result in higher standards and competence in the legal profession. Four regional and two national bar associations will have enhanced capacity to provide continuing legal education for members as well as play an active role in developing professional standards for practicing law professionals. Four key law schools will have developed new curricula in key areas such as commercial law, environmental law and property law. These schools will also introduce trial advocacy programs to better equip lawyers to function in the changed courtroom environment. All 1600 Commercial Court judges will be able to effectively consider cases on key emerging commercial legislation, such as Parts I and II of the civil code, new property and tax laws, and bankruptcy laws. The Commercial Court Training Institutes will have programs established which enable them to disseminate new legal information quickly, and to adjust programs to respond to the rapidly evolving commercial law sector. The Procuracy, formerly playing a disproportionately large role in the prosecution of crimes, will have adapted itself to the new legal environment of equal justice under the laws. It will be able to prosecute complex economic crimes, respect the human rights and constitutional freedoms of individuals and understand the importance of its new role as an equal participant in a fair process.

However, encouraging trust and active participation by Russian citizens in the legal system is perhaps the most difficult challenge to the program. Ten public advocacy programs, in areas such as human rights, womens' issues, and labor issues, will bring pro bono legal services to the disenfranchised. Efforts supported under this Rule of Law objective will be complemented by the other SOs under the second Strategic Goal of the ENI (and USAID/Russia's) program -- supporting the transition to transparent and accountable governance and the empowerment of citizens through democratic political processes.

SO 2.3 More effective, responsive and accountable local government in selected cities

1. The Results Framework

Development Hypotheses

Local government in Russia is at the heart of the democratic and economic reform process. Cities and towns are where 70 percent of the Russian population lives. It is also where they are closest to government, and where the citizen-government interaction is most intense. Cities are the locus for most economic activity and investment.

Although it is essential that the national and regional governments establish an enabling framework for local democratic reform and locally-based economic growth, it is the cities and towns themselves which must nourish an environment in which open and accountable governmental processes can grow and in which privately driven economic growth can flourish. Since 1991, the federal government in Russia has fostered a great deal of decentralization, both permitting cities and oblast governments substantial latitude to take initiatives on their own and encouraging them to take over responsibilities which the federal government could neither afford nor manage.

USAID has had a unique opportunity to influence the shape of economic and democratic reform in Russia through strategic and timely technical assistance to regional (oblast) and local (raion, city) governments and by providing grants for grassroots groups across the country. While many of the results of this technical assistance have already been reported in other sections (see the housing and land reforms in SO 1.3, for example), one set of activities financed by USAID as the Municipal Finance Project has been specifically designed to promote a more functional, accountable and decentralized system of governance at the local level.

Under this project, improved financial management capabilities have been the focus of intense systems development and training seminars in three pilot cities and, more recently, three roll-out cities. This intervention provided the municipalities with the ability to improve their financial analysis, forecasting, internal communication and decision-making process and to respond more effectively to citizens' demands. Activities have also emphasized increased competitive procurement practices and greater transparency in governance. However, the program is by design limited in

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focus and although improvements in municipal finance and management are critical elements in the development of responsive local government, there is a definite need to broaden the framework at this critical juncture. The Results Framework presented here does just that.

The only change in wording from the Strategic Objective as articulated at the ENI Bureau level is the replacement of the word "responsible" with the word "responsive" and the addition of the qualifier "in selected cities." The first change emphasizes citizens' role and participation in the process of improving local governance. The second change recognizes the funding and time limitations faced by USAID/Russia in the next years.

Critical Assumptions

If USAID is to succeed in achieving the Strategic Objective, the following conditions that must exist and/or changes that must occur are:

- continued movement of the federal government towards democratic reform and decentralization of government functions;
- local governments must receive the authority to collect and retain tax revenue (as described in SO 1.2);
- other donor organizations continue their reform efforts, specifically, the World Bank's municipal infrastructure (heating, water and sewage) development projects; and
- local governments remain receptive to the democratic reform efforts promoted by USAID.

Causal Links

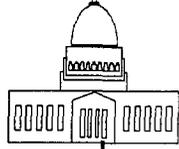
Achievement of SO 2.3 will rely on local governments' progress in four areas:

- IR 2.3.1 **Increasing local government efficiency** implies improved decision making, service delivery, and staff capacity, so that local governments will become better able to service their citizens' needs and respond to their concerns.

The accomplishment of this IR will flow from:

- IR 2.3.1.1 Improved internal communication, or information management, systems will enable local governments to reach more informed policy decisions and will facilitate the flow of information from one department to another.
 - IR 2.3.1.2 Improved financial planning and management techniques will enable local governments to better analyze and forecast revenue and expenditure flows and to allocate budget funds where needed.
 - IR 2.3.1.3 Increased use of private service delivery will enable local governments to reduce the costs and increase the quality of municipal services to their citizens.
 - IR 2.3.1.4 Strengthened service management capabilities local government staff will make better able to perform their jobs, respond to citizen demands and take more pride/interest in what they do.
- IR 2.3.2 By better defining their roles and responsibilities, local governments will be able to focus on their areas of authority and effectively enforce them. (Other SOs, 1.2, 1.3, 1.4, and 2.1 are also contributing to defining the roles of local governments.)
- IR 2.3.2.1 By defining the relationship between local governments and other government entities, e.g. oblast and federal levels, local government will be able to work with these entities to more effectively respond to local needs.
 - IR 2.3.2.2 By having a supportive policy/legal framework adopted at the national level, local governments will have the means by which they can establish their areas of authority.

Strategic Objective 2.3
More effective, responsive and accountable local government (LG) in selected cities



IR 2.3.1
Increased LG efficiency

Timeframe: December 1999
Development Partners: USAID, EU

IR 2.3.1.1
Improved management information systems

Timeframe: December 1998
Development Partner: USAID

IR 2.3.1.2
Improved financial planning and controls

Timeframe: December 1998
Development Partners: USAID, EU

IR 2.3.1.3
Increased use of contracted service delivery

Timeframe: December 1998
Development Partners: USAID, Canada

Municipal infrastructure improved (World Bank)

IR 1.3
Local gov't supportive of business development (Refer. SO 1.3)

IR 2.3.2
LG roles and responsibilities are well established

Timeframe: December 1999
Development Partner: USAID

IR 2.3.2.1
Better-defined LG relationship with other gov't entities

Timeframe: December 1997
Development Partners: USAID, EU

IR 2.3.2.2
Supportive policy/legal framework adopted

Timeframe: December 1997
Development Partner: USAID

IR 1.2.3
Sound and transparent separation of fiscal authorities between federal, regional and local governments (Refer. SO 1.2)

IR 2.2.1.2
More transparent, open and informed process of legislation (Refer. SO 2.1)

IR 2.3.3
More open and transparent LG

Timeframe: December 1999
Development Partner: USAID

IR 2.3.3.1
Easier access to information on LG operations

Timeframe: December 1998
Development Partner: USAID

IR 2.3.3.2
Institutionalized procedures for citizens' participation

Timeframe: December 1998
Development Partner: USAID

IR 2.1.3.2
More effective NGO advocacy of peoples needs (Refer. SO 2.1)

IR 2.1.1
Free and fair elections administered nationally and locally (Refer. SO 2.1)

IR 2.3.4
Institutionalized LG reform effort

Timeframe: December 1999
Development Partners: USAID, EU USIS

IR 2.3.4.1
Increased role of LG associations in advocating and effecting reform

Timeframe: December 1998
Development Partner: USAID

IR 2.3.4.2
Improvement of in-country training and extension capabilities

Timeframe: December 1998
Development Partners: USAID, EU

PERFORMANCE ASSESSMENT

Table I - Performance Data

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
SO 2.3	More effective, responsive and accountable local government (LG) in selected cities	Increase delivery of selected LG services	Definition: city services Unit: % increase	1995	0			10								
SO 2.3		Reduction in average time to complete standard business transaction with LG office (lease, permit, tax payment, etc.)	Definition: TBD Unit:	1995	0											
IR 2.3.1	Increased LG efficiency	Improvement in the cost per unit of selected city services	Definition: TBD Unit:	1995	0											
IR 2.3.1		LG's establish criteria for implementing capital financing projects	Definition: criteria adopted Unit: criteria list adopted	1995	0	0		1								
IR 2.3.1.1	Improved management information systems	% of LG's with established internal communication policies	Definition: LGs with internal comm. policies Unit: LG's	1994	0	0		20								
IR 2.3.1.1		No. of management notices, town hall meetings, open to all LG employees	Definition: LG employee Unit: # of meetings	1995	0	0		2								
IR 2.3.1.1		% of LG employees who are aware of key LG policies, procedures, decisions	Definition: LG employee awareness Unit: % of LG employees	1995	0	0		20								
IR 2.3.1.2	Improved financial planning and controls	Congruence between revenue forecasts and receipts increased	Definition: improved revenue forecasting Unit: TBD	1995	0											

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS												
						1996		1997		1998		1999		2000				
						YEAR	VALUE	Target	Actual									
IR 2.3.1.2		Congruence between budget allocation and expenditures increased	Definition: improved budgeting Unit: TBD	1995	0													
IR 2.3.1.2		% of selected LG's with performance budgeting systems in place	Definition: LG with performance budgeting system Unit: % of LG's selected	1995	0	0		20										
IR 2.3.1.2		% of selected LG's who have formalized budget audit systems	Definition: LG formalized budget audit system Unit: % of LG's selected	1995	0	0		20										
IR 2.3.1.2		% of selected LG's with well-defined budget allocation procedures	Definition: LG with well-defined budget allocation procedures Unit: % of selected LG's	1995	0	0		20										
IR 2.3.1.2		City utility providers move toward cost recovery	Definition: rate perform Unit: Performed city utility company	1995	0	0		0		1								
IR 2.3.1.3	Increased use of contracted service delivery	% of LG's utilizing documented competitive procurement procedures	Definition: LGs with competitive procurement Unit: % of LG's utilizing new procedures	1995	0	0		20										
IR 2.3.1.4	Strengthened service management capabilities	No. of LG staff trained in use of performance management techniques	Definition: retrained staff Unit: # of LGs staff	1994	0	10		20										
IR 2.3.2	LG roles and responsibilities are well-established	Key authorities devolve from higher level governments to local government	Definition: TBD Unit:	1995	0													
IR 2.3.2		City charters establish functions of LG	Definition: TBD Unit:	1995	0													

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
						1996		1997		1998		1999		2000			
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
IR 2.3.2.1	Strengthened LG advocacy of municipal roles	Clear, predictable procedures for revenue transfers from higher (reg.&cen.) Govt. levels in target oblasts	Definition: procedures drafted and adopted law Unit: adopted by a regional Duma	1994	0												
IR 2.3.2.1		Executive and legislative branches of LG share budget information	Definition: shared budget information Unit: # of cities	1994	0												
IR 2.3.2.2	Supportive policy/legal framework adopted	Passage of Law on LG implementing regulations	Definition: Unit: law adopted	1995	0	0	1										
IR 2.3.3	More open and transparent LG	% of targeted LG's with published public information policies	Definition: cities Unit: %	1995	0		20 (June)										
IR 2.3.3		% of population aware of LG budget issues/decisions	Definition: targeted cities Unit: population % on target cities	1995	0	0	30 (Dec.)										
IR 2.3.3.1	Easier access to information on LG operations	No. Of public information releases	Definition: Unit: information release	1995	0	0	1 (June)										
IR 2.3.3.1		No. Of press conferences	Definition: Unit: : press conference	1995	0	0	1										
IR 2.3.3.1		Office of public affairs established in targeted cities	Definition: Unit: public affairs office	1995	0	0	2										
IR 2.3.3.2	Institutionalized procedures for citizens' participation	No. of public hearings	Definition: Unit: # of public hearings	1995	0	0	1										
IR 2.3.3.2		City charters amended to foster citizen participation	Definition: target city with new charter Unit: # of target cities	1995	0												

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	TARGETS AND ACTUAL RESULTS												
				BASELINE DATA		1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual									
IR 2.3.4	Institutionalized LG reform effort	No. Of LG institutions identified as USAID partner organizations	Definition: USAID partner institutions Unit: institutions	1995	1	2		3								
IR 2.3.4		No. Of LG institutions trained to provide services to cities	Definition: trained LG institutions Unit: institutions	1995	0	0		1								
IR 2.3.4.1	Increased role of LG associations in advocating and effecting reform	LG associations present united regional agendas advocating reform at the national level	Definition: agendas presented to Federal Govt. Unit: # of LG associations	1995	0	0										
IR 2.3.4.2	Improvement of in-country training and extension capabilities	LG institutions provide training/assistance to cities	Definition: Unit: # of cities assisted	1995	0	5		10								
IR 2.3.4.2		Establishment of LG support network thru a cadre of trained municipal development experts	Definition: network established Unit: network	1995	0			1								

*optional: use only when clarification of the performance indicator statement is necessary

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Note: No USAID supported activity is foreseen beyond the latest year with data.

- IR 2.3.3** A more open and transparent local government implies a that citizens will be able to participate in the decisionmaking process and local governments will be held accountable for and responsive to citizen demands. (USAID's SO 2.1 also contributes to this IR through the increase of NGO effectiveness and holding of elections, both of which will hold local officials accountable to their citizens.)
- IR 2.3.3.1** Easier access to information on local government operations (through government publications and announcements as well as the media), citizens will be better informed and have more confidence in their government and city officials.
- IR 2.3.3.2** Institutionalized procedures for citizens' participation in local government decision-making citizens will develop vested interests in holding the local government accountable.
- IR 2.3.4** By institutionalizing the local government reform effort, the process of democratic reform begun under current USAID programs will be continued long after USAID has departed Russia. Several private organizations have been established through the implementation of the current LG and other USAID projects, e.g.. Consul-Incom, the Vets' Group, the Institute for Urban Economics and other groups. These groups will be used to "institutionalize" the dissemination of techniques and lessons learned to other cities.
- IR 2.3.4.1** Increasing the role of local government associations in advocating and effecting reform will contribute to the consolidation of local government issues and increase the pressure on federal and oblast levels to provide local governments with the enabling legislation supporting decentralization of authority.
- IR 2.3.4.2** Increasing local government associations capability to deliver services to their members local governments requires providing them access to innovative techniques and skills necessary for their democratic reform efforts.

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2. Results to Date

IR 2.3.1 Increased local government efficiency

A Local Area Network (LAN) was put in place connecting the various offices of the Moscow City Government with the Mayor's office for easier and more accountable information flow. A financial management system has been installed in the Finance Department along with a computerized training center from which employees from Moscow and other cities can and will be trained in western-style fiscal analysis and forecasting methods. However, the Local Government Finance System (LGFS) was not installed into the Moscow City Finance Department and, in all likelihood, will not be installed, due to continuing disagreements between the City's political leaders.

In Nizhny Novgorod, components of the LGFS are being used by the Finance Department and budget information has been presented to the public. A LAN is also in place, connecting all the raions with the City's Finance Department. Nizhny Novgorod was able to qualify for a World Bank transportation loan due to the progress made in this area with USAID support. In Vladivostok, improvements have been made in quality and quantity of service even though the financial management system and LAN are not yet completely installed.

While the Moscow program was unable to attain its potential impact in improved financial planning and controls (which were tied to the LGFS installation), the efforts of the Municipal Financial Management project have paid off in supporting improved fiscal procedures. The Moscow State Tax Inspectorate was convinced, on the basis of trust in the Research Triangle Institute technical advisors implementing the program, to allow other advisors (from Georgia State) access to information that was previously considered highly confidential in the construction of a tax simulation model. When the model is completed in June, 1996, STI will have the ability to analyze tax revenue trends for the entire city and forecast expected revenue generation from them. The model will be Russia-specific and has the potential of being replicated to other cities.

IR 2.3.3 More open and transparent local governments

In the other pilot cities, Nizhni Novgorod and Vladivostok, the installation of financial management packages and training components have also been delayed and completion of the entire systems is expected early in the summer of 1996. Once

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Nizhni officials feels confident in the final product, an All-Russia City Conference will be scheduled to showcase the innovative achievements of the City's Finance Department. In spite of the delay in Vladivostok, the City's Finance and Economic Planning Directors have continued to make significant strides in opening up their departments through the provision of information. The Finance Director appeared on local TV to present budget information to the public and explained some of the reasons for budget decisions. The Economic Planning Director conducted a radio broadcast that highlighted some of her departments many citizen services and encouraged citizens to call in and take advantage of them.

IR 2.3.4 Institutionalized local government reform effort

One result of Moscow's lack of decision with regards to the LGFS software installation was the possibility of extending the activity to three additional cities; Tomsk, Tver and Vladimir. The expanded pilot city program permitted testing and replication of more cost effective systems development and technical assistance package based on lessons learned from the three initial pilot cities. Additional training seminars and courses (Municipal Budget Analysis, Capital Finance, and on the use of the Budget Analysis and Transparency Model) further extended the reach of the project to an additional thirty cities.

3. USAID Contribution

Initial funding for the project was \$13 million for three years with activity confined to three pilot cities. Limited dissemination of lessons learned, techniques, and systems developed has been spread to three additional cities. With redesign (described below), a new program will expand Life of objective funding in this area to an expected \$24.5 million.

4. Expected Progress in FY 1997 and FY 1998

In FY96 an additional \$1.6 million (\$600,000 in FY95 carry-over, \$1 million in FY96 new money) has been committed to the MFM project to bring all the current activities to completion.

The Mission envisions a new effort focussed on local government which calls for a more integrated effort which jointly emphasizes increased local government efficiency and, at the same time, a more open and transparent local government. This new effort takes off from the successful joint RTI/NDI "Openness in the Budget Process" seminar in Nizhni Novgorod. This led to the development of a new approach that

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will take advantage of the best practices of both projects to create a more sustainable, effective model for decentralization and democratic reform.

It is also intended that the activity will help to develop ways for local governments to influence the national agenda, both by working with national level institutions which are creating the shape of the new decentralized governmental structure and with organizations which represent local governments themselves. Such organizations, such as the Union of Russian Cities, are at the forefront of the movement towards a more decentralized system of governance.

This phase of the program will further emphasize cooperation with other USAID project implementors and with other external funding agencies (including the World Bank). USAID will include cities targeted for World Bank support where practical. Projects being conducted by the World Bank in the improvement of municipal infrastructure and housing, for example, deal with many of the local government issues of concern. All donors and implementers working in the local government development area will be targeted with information to facilitate a broader impact through roll-out of experience. Such cooperation will ensure that project results are fully utilized and internalized within each target city. Activities under this approach will address greater citizen participation in municipal decision-making through open budget meetings, policy advisory boards, etc., increased citizen access to local government information and operations through institutionalized policies and procedures, local government capacity building through training seminars, limited systems development and technical assistance.

Finally, institutionalization of training techniques, courses, seminars will be developed through several Russian local government organizations so that dissemination of the projects democratic reform and decentralization efforts will continue long after USAID's departure from Russia.

We expect that at the end of 1999, technical assistance provided by USAID will result in a more decentralized government model in Russia, acceptable to local governments and the central government, in which local governments can be, and are, responsive to citizens needs and demands in an effective and efficient manner. Local governments will also have organized themselves sufficiently to promote further devolution of authority and democratic reforms. The necessary policy framework, institutional structure and momentum will be established to replicate the decentralized government model throughout Russia.

Additionally, USAID expects that targeted cities will serve as models for their

regions. Avenues by which citizens can have access to information on local government operations will be institutionalized.

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SO 3.2 Improved Effectiveness of Selected Social Benefits and Services

1. The Results Framework

Development Hypotheses

Russia's once highly regarded system for providing social services and benefits to its population is falling apart. The health care system, due to a combination of inadequate and misdirected financing and organizational chaos, is no longer able to provide the population with the preventive care needed to stay healthy nor the proper curative care it needs to get well. Decreasing male life expectancy, high infant and maternal mortality and high incidence of communicable diseases such as diphtheria and tuberculosis are alarming examples of a system that is no longer working.

Reductions in state support and federal subsidies to state farms and collectives have left many rural dwellers (who make up about 30 percent of Russia's population) with no or substandard social services ranging from housing maintenance and utilities to road repairs and day care facilities. While reorganization of state farms and collectives is important to improving agricultural efficiency and raising the rural standard of living, it is constrained due to lack of solutions to the transfer of management and financing of rural social services that were once provided free of charge.

A solution for assuring that people are able to afford their rent and utility fees even as rental rates and utility charges are edged upward to market levels has been found. As rents have been increased to facilitate the greater provision of housing through the market, an income-sensitive housing allowance has been developed, and adopted by more than 90 percent of Russia's cities, to protect low-income families and to transfer the burden of housing costs to those who can afford it.

While not all social service reforms will be so straightforward, improvements to Russia's current systems for delivering social benefits and services are sorely needed. Adequate health care is guaranteed to the entire population under the current Constitution, but innovations must be developed before that will be a reality. Failure to provide adequate health care as well as other social services could have adverse political consequences.

The achievement of SO 3.2, Improved Effectiveness of Selected Social Benefits and

Services, will result from finding workable ways to finance and pay for such services and benefits and improving their efficiency and quality. The approach USAID proposes to use in achieving this objective is to expose Russians in both public and private sectors to various approaches and models for financing and service delivery, to test these approaches at pilot sites, and to disseminate them to a wider audience for replication. In the health area, changes to the legal and regulatory framework for health care are also needed as many of the new approaches and models that are being tested lack legal sanction and, therefore, cannot be easily replicated.

Critical Assumptions

If USAID is to succeed in achieving this SO, the following conditions must exist and/or changes must occur:

- The national government must remain committed to market-oriented reforms in the service sector. In the health sector, this does not mean that we expect a commitment to total privatization, but rather a commitment to market-driven concepts such as total quality management (TQM), management of different payer types/mechanisms, hospital management, etc..
- The local level governments must continue to be receptive to reforms promoted by USAID.
- Other donors, in particular the World Bank, are expected to continue to push for reforms in the service sectors. USAID has, in the health and other service sectors, leveraged several World Bank Loans.
- There must be better understanding and acceptance of redefined roles and responsibilities of the federal and local governments (see SO 1.5 and SO 2.3), an expanding role for the private sector (see SO 1.3), and user groups must be informed about options for social service financing and management (see SO 2.1).

Causal Links

USAID plans to make measurable progress toward this Strategic Objective by the end of 1999. Achievement of this objective will be measured by:

- the widespread replication of tested approaches to financing and delivery of services and benefits;

- certain key indicators of the effectiveness of these approaches appropriate to each sector, such as reduction in number of hospital days per thousand or reduction in hospital infection rates for the health sector.

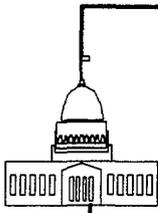
Three elements of the program, or the achievement of three Intermediate Results (IRs), will contribute to the achievement of the SO.

- IR 3.2.1 In the health area, the Russian Government (Ministry of Health, Duma) must adopt a revised legal and regulatory framework as new approaches are developed, as many of them are currently not legal under Russian law. In the divestiture of social assets from farms and enterprises, the legal frameworks are already largely in place.
- IR 3.2.2 New approaches to service delivery need to be adopted by the appropriate public and private organizations based upon:
 - IR 3.2.2.1 Design and testing of alternative service delivery mechanisms
 - IR 3.2.2.2 Improved service delivery skills in the organizations themselves
 - IR 3.2.2.3 The creation of new, alternative providers where they do not now exist
- IR 3.2.3 New approaches to resource allocation and financing of services must be adopted on the basis of:
 - IR 3.2.3.1 Identified alternative financing sources/mechanisms
 - IR 3.2.3.2 Improved information on costs of service delivery
 - IR 3.2.3.3 Improved skills in financial analysis and management
 - IR 3.2.3.4 and better targeting of selected subsidies.

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Strategic Objective 3.2
Improved Effectiveness of Selected Social Benefits and Services

Timeframe: 12/99
 Development Partners:
 Contractors/grantees*, Russian Ministry of Health, Ministry of Agriculture,
 Russian Duma, local governments, local health facilities



I.R. 3.2.1
Policies, laws and regulations approved

Timeframe: 3/98
 Development Partners:
 B.U. HPI, Russian Duma, Ministry of Health

I.R. 3.2.1.1
Policies, laws, and regulations drafted

Timeframe: 8/97
 Development Partners:
 B.U. HPI, Russian Duma, Ministry of Health

I.R. 3.2.1.2
Policy framework for reform adopted by policy makers

Timeframe: 10/96
 Development Partners:
 B.U. HPI, Russian Duma, Ministry of Health

I.R. 3.2.2
New approaches to service delivery adopted

Timeframe: 6/98
 Development Partners:
 Contractors/grantees*, Russian Ministry of Health, Ministry of Agriculture,
 Russian Duma, local governments, local health facilities

I.R. 3.2.2.1
Alternative service delivery mechanisms designed

Timeframe: 11/97
 Development Partners:
 Contractors/grantees*, Russian Ministry of Health, Ministry of Agriculture,
 Russian Duma, local governments, local health facilities

I.R. 3.2.2.2
Service delivery skills improved

Timeframe: 6/98
 Development Partners:
 Contractors/grantees*, local governments, local health facilities

I.R. 3.2.2.3
Alternative providers exist

Timeframe: 11/97
 Development Partners:
 Louis Berger, Chemonics, local governments

I.R. 3.2.3
New approaches of resource allocation and alternative financing for service delivery adopted

Timeframe: 6/98
 Development Partners:
 Contractors/grantees*, Ministry of Health, local governments, local health facilities

I.R. 3.2.3.1
Alternative financing sources/mechanisms identified

Timeframe: 12/96
 Development Partners:
 Contractors/grantees*, Ministry of Health, local governments, local health facilities

I.R. 3.2.3.2
Improved information on costs of service delivery available

Timeframe: 12/96
 Development Partners:
 Abt, AIHA, Louis Berger, Chemonics, local governments, local health facilities

I.R. 3.2.3.3
Improved skills in financial analysis/management

Timeframe: 12/97
 Development Partners:
 Abt, AIHA, MSH, local governments, local health facilities

I.R. 3.2.3.4
Better targeting of selected subsidies

Timeframe: 12/98
 Development Partners:
 Urban Institute, local governments

* Contractors/grantees include: Abt Associates, Health Partnership Institute (HPI), Boston University (BU), AIHA, U.S. Food and Drug Administration, U.S. Centers For Disease Control, Management Sciences for Health (MSH), U.S. Pharmacopoeia, Johns Hopkins University, AVSC, The Futures Group, Mothercare, SEATS, SOMARC, AED, John Snow Int., Louis Berger, Urban Institute, Chemonics.

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PERFORMANCE ASSESSMENT

Table I - Performance Data

RESULT LEVEL (SO or RI) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS									
						1996		1997		1998		1999		2000	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
SO 3.2	Improved Effectiveness of Selected Social Benefits and Services	Hospital days per thousand decreases in project areas	Definition: Unit: days per thousand decreases	1995	*	10		15							
SO 3.2		Hospital infection rates decrease in participating hospitals	Definition: Unit: % of admissions decrease	1994 1995	23,6 16	10		20							
SO 3.2		Innovative models of capital formation schemes for health care delivery replicated	Definition: Unit: number of sites	1996	0			3							
SO 3.2		Numbers of abortions decrease in project target areas	Definition: Unit: of abortions per 1000 women decrease	1996	*					20					
SO 3.2		Selected social service facilities rehabilitated and maintained on a sustainable basis on reorganized farms	Definition: Unit: number of farms in pilot oblasts	1996	0							50			
SO 3.2		A housing allowance system targeted to needy households implemented and adopted more broadly	Definition: housing allowance system is fully functional Unit: sites	1994	0	200				all					

* Data to be provided in 4/96.

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
						1996		1997		1998		1999		2000			
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
SO 3.2		A housing allowance system targeted to needy households implemented and adopted more broadly	Definition: number of households involved in housing allowance programs nationally Unit: % of households	1996	0	15											
IR 3.2.1	Policies, laws, and regulations that improve effectiveness approved		Definition: Unit: law														
IR 3.2.1		Law on Medical Technology approved by the Russian Government	Definition: Unit: law	1996	0					1							
IR 3.2.1		Amendments to Health Insurance Law approved by the Russian Government	Definition: Unit: amendment	1996	0			1									
IR 3.2.1		Revised law that regulates pharmaceuticals approved by the Russian Government	Definition: Unit: law	1996	0			1									
IR 3.2.1		Law that defines federal/ state/municipal roles in health care approved by the Russian Government	Definition: Unit: law	1996	0					1							
IR 3.2.1.1	Policies, laws, and regulations that allow for more effectiveness are submitted to the Russian Duma		Definition: Unit: law														
IR 3.2.1.1		Law on Medical Technology submitted to the Russian Duma	Definition: Unit: law	1996	0			1									
IR 3.2.1.1		Amendments to the health insurance Law submitted to the Duma	Definition: Unit: amendment	1996	0	1											

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	TARGETS AND ACTUAL RESULTS												
				BASELINE DATA		1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual									
IR 3.2.1.1		Revised law that regulates pharmaceuticals submitted to the Duma	Definition: Unit: law	1996	0	1										
IR 3.2.1.1		Law that defines federal/state/municipal roles in health care submitted to the Duma	Definition: Unit: law	1996	0			1								
IR 3.2.1.2	Policy Framework for reform adopted by policy makers	White paper on health sector reform endorsed by Russian health care policy makers	Definition: Unit: white paper	1996	0	1										
IR 3.2.2	New approaches to service delivery adopted	New approaches to health care delivery are used	Definition: Unit:													
IR 3.2.2		Quality indicators are used	Definition: Unit: number of hospitals	1994	0	10	9									
IR 3.2.2		Family clinics promoting modern methods of contraception are operational	Definition: Unit: number of sites	1995	0	3		6								
IR 3.2.2		Model governance structures for Health facilities are operational	Definition: Unit: number of governance structures	1996	0			2								
IR 3.2.2		Drug formularies are operational	Definition: Unit: number of sites	1994	0	3	1	6								
IR 3.2.2		Sustainable models for transferring the management of selected rural social services on reorganized farms being used	Definition: Unit: number of approaches and number of farms in target objects	1996	0			2								

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or RI) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 3.2.2.1	Alternative service delivery approaches designed	Alternative approaches to health care service delivery are designed	Definition: Unit: quality indicators modal family planning clinics modal health facility governance structures drug formularies	1995	x	x										
				1996	x	x										
IR 3.2.2.1		Improved legal and administrative procedures developed for the transfer of farm social service management from the federal government to various local governments, NGOs, private for-profit firms, and end users on reorganized farms	Definition: Unit: number of farms in target oblasts	1996	0			2								
IR 3.2.2.1		Social service maintenance plans designed and tested on selected reorganized farms	Definition: Unit: number of farms in target oblasts	1996	0			2								
IR 3.2.2.2	Service delivery skills improved	Physicians are trained in modern family planning techniques	Definition: Unit: number of physicians	1995	0	600				1200						
IR 3.2.2.2		Nurses are trained in modern nursing techniques	Definition: Unit: number of nurses	1993	0	150		300								
IR 3.2.2.2		Emergency technicians are trained in modern emergency medicine	Definition: Unit: number of emergency technicians	1993	0	500		700								
IR 3.2.2.2		Physicians trained in the use of Quality Indicators	Definition: Unit: number of physicians	1993	0	100										

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or RI) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	TARGETS AND ACTUAL RESULTS												
				BASELINE DATA		1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 3.2.2.2		Health care professionals trained in health care management and administration	Definition: Unit: number of specialists	1993	0	200		300								
IR 3.2.2.3	Alternative providers exist	Small business created to repair and maintain rural social service infrastructure on reorganized farms in selected oblasts	Definition: former state farm workers form private companies to service and repair rural social service infrastructure Unit: number of farms in target oblasts	1996	0			2								
IR 3.2.3	New approaches to resource allocation and alternative financing for service delivery adopted	New approaches to alternative payment mechanisms for health services adopted	Definition: Unit: number of approaches number of health facilities	1994	0	7 approaches in 30 health facilities		7 approaches in 60 health facilities								
IR 3.2.3		New approaches to capital formation for health facilities adopted	Definition: Unit: number of approaches	1995	0	2										
IR 3.2.3		Ratio of outpatient to inpatient expenditures in project area health facilities increases	Definition: expenditure ratio Unit: % increase	1995		10										
IR 3.2.3		Sustainable models for transferring the financing of selected rural social services on reorganized farms are designed	Definition: Unit: number of models and number of farms	1996	0			2								
IR 3.2.3.1	Alternative financing sources/mechanisms identified	Models of alternative payment mechanisms for health care designed	Definition: Unit: number of models	1995	7											
IR 3.2.3.1		Models of capital formation schemes for health facilities designed	Definition: Unit: number of models	1995	0	2										

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) and NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 3.2.3.1		Rural finance transfer plans are prepared for reorganized farms	Definition: rural social service transfer plans which analyze income, expenditure needs and sources of financing are prepared in reorganized farms Unit: number of farms in target oblasts	1996	0			2								
IR 3.2.3.1		Flexible and competitive regulation mechanisms for rent payments exist	Definition: rent for municipal housing Unit: % of full operating cost (national average)	1994	0					80						
IR 3.2.3.2	Improved information on costs service delivery	Health care facilities are using cost accounting systems and financial planning tools	Definition: Unit: number of health facilities in Siberia using new tools	1994	0	25										
IR 3.2.3.2		Minimum basic rural social services needs and their quality defined and costed	Definition: Unit: number of reorganized farms in target	1996	0			2								
IR 3.2.3.3	Improved skills in financial analysis/management	Health care professionals trained in modern methods of financial management	Definition: Unit: number of professionals	1995	100	200										
IR 3.2.3.4	Better targeting of selected subsidies	Public awareness for low income households increases	Definition: Unit: % increase	1995	0	50										

*optional: use only when clarification of the performance indicator statement is necessary

Note: No USAID supported activity is foreseen beyond the latest year with data.

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2. Results to Date

IR 3.2.1 Policies, laws and regulations approved

The Russian health care system began undergoing a major transformation in 1991 as budgetary pressures made the old system of "free" care unsustainable. An insurance-based system was instituted in that year to move the sector toward a more market-oriented approach, with payments related to organizational performance and health care outcomes. The insurance system has not yet been completely implemented in all of Russia's regions as mandated, nor is it yet as effective as envisioned. Virtually all facilities are still state-owned and local government budgets bear the primary financing burden, allocating on average 17.5 percent of all local government spending to the sector. But equipment is antiquated in many facilities and funds are unavailable for such capital replacements. And wage costs remain a major expenditure as there are over two million people employed in the health industry. Further, performance of the system as a whole is not up to the standards of Europe.

USAID is approaching health policy reform from the bottom up, collaborating with Russians in both public and private sectors to develop new, private sector health care organizations capable of mobilizing additional resources, using information on both utilization of services and costs for more efficient management, and significantly improving the quality of care. Thus far, the Ministry of Health has not played a leadership role in health care reform and the action in developing new policies and approaches has been at the local level. The Kemerovo Oblast Duma, for example, has adopted **new health care legislation** to support **innovative models** for health care service delivery developed with USAID support.

Only within the last six months has USAID begun to work with national structures (the Ministry, the Duma Health Committee) to address the questions of national policies and regulations which continue to impede innovation in the sector.

Housing policy and regulatory change has progressed relatively far along the road to effective privatization. And social concerns have been addressed. Means-tested **housing allowance programs** have been implemented in 90 percent of all Russian cities since their introduction in 1994. These allowances mitigate the impact which increasing rents and privatization of housing might otherwise have on low-income populations.

IR 3.2.2 New approaches to service delivery adopted

Seven different models of health care financing and service delivery are being tested at 84 sites in four oblasts of Siberia with USAID support. Models include: two pilot Health Maintenance Organizations (HMOs), state-owned polyclinics which provide consumers with choice among primary care providers, new employment agreements between physicians and polyclinics that incorporate performance incentives in the form of salary bonuses that relate to customer satisfaction and health outcomes, agreements that allow general practitioners to receive payment from the Territorial Insurance Fund and to form a network of independent general practitioners.

The financial tracking system for the Territorial Insurance Fund of Kemerovo Oblast has also been upgraded. The design is completed and some of the equipment is in place; when the server is acquired and installed, the system should improve collections of insurance fund contributions by some \$2 million per year. Prior to installation of the new system which tracks 15 million transactions annually for three million beneficiaries, only 70 percent of health premiums were being collected. Over 100 health economists and health officers have already received training in financial modeling tools, essential for undertaking the kinds of reforms envisioned.

The Rational Pharmaceutical Management project has promoted cost-effective drug selection through the development of Formulary Committees in over 20 medical facilities in three oblasts. With the liberalization of the pharmaceutical industry, USAID has also provided support for improved systems for drug procurement tendering, supplier selection, and supplier performance monitoring. Ryazan Oblast has piloted a broader program of Rational Pharmaceutical Management (RPM). Progress is project-specific but has the capacity for wider application.

Under the Hospital Partnerships Program, other approaches to more effective and efficient health care service delivery and financing methods are being tested. In Dubna, a Diabetic School has been established through a partnership with a hospital in La Crosse, Wisconsin. 450 patients have been trained in diabetes self-management, which has led to a decline in insulin doses by 30 percent and a decrease in costs. In Murmansk improvement to emergency services have reduced average hospital stays by five days.

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3. USAID's Contribution

Local health care systems in the U.S. have acquired substantial expertise in health care reform in recent years and, while national health policy reform remains an elusive objective in the U.S., we have a lot to offer in terms of options, alternatives, and market-oriented ideas new to Russia. By tapping into this experience, Russians should, in this as in other areas, be able to avoid costly mistakes, identify systems which fit will into the Russian social and economic environment, and accelerate the process of health care reform overall.

There is no question that such reform is needed as health care statistics in Russia are well below the average for the industrialized world. USAID/Russia health staff have played an active, personal role in stimulating interest in health care reform. USAID has nurtured the formation of a national health care reform agenda in many small ways: conferencing, training, the GCC process, and personal contacts by the Mission's professional staff. USAID life of objective funding to date has been about \$64 million; it is projected for about \$82 million by the end of the program.

USAID has also developed an active working relationship with other donors with potential to provide greater resources in the health area than USAID has been able to muster. A joint World Bank-USAID initiative in Tver and Kaluga, for example, exploits the complementarity between the knowledge-based contributions of USAID and the material support which the Bank loan provides.

USAID efforts in supporting oblast and raion governments in managing social responsibilities divested from farms are just getting started, but will follow a similar approach -- coordinating closely with the World Bank and others who might be able to bring external resources to bear after USAID's phaseout.

4. Progress Expected in FY 1997 and FY 1998

In FY 97 and FY 98, USAID expects that:

- The Russian Government will put in place a legal and regulatory framework at the national level that will authorize and facilitate the establishment of a new public/private system for financing and delivering high quality health care. At a minimum, new legislation in the areas of health insurance, federal/state/municipal roles in health care, pharmaceutical regulation, and private practice will be drafted and approved by the Duma.

- Innovative models or approaches to the financing and delivery of high quality health services, that were developed and tested in pilot oblasts in the first years of the program, will be widely disseminated and adopted in other areas of Russia. The testing of working models for alternative governance structures for health care, that include innovative private capital formation schemes, will also come to an end and the results of successful models will be disseminated throughout Russia.
- As a result of the adoption of new models and approaches to health care financing and delivery, there should be some improvements in the effectiveness of the health delivery system. Indicators of this will be a reduction in hospital days per thousand and reductions in hospital infection rates in areas where new models are adopted.
- In the housing area, the housing allowance system developed in the earlier years of USAID's program will become fully functional and adopted in all Russian cities by the end of 1998.
- With regard to other social services and benefits, USAID will develop and test two approaches to rehabilitate and maintain rural social services on a sustainable basis in at least two new oblasts.

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SO 3.3 Increased Capability to Deal With Environmental Pollution as a Threat to Public Health

1. The Results Framework

Development Hypotheses

The devastating impact on public health from air and water pollution in Russia is well known. These problems threaten economic progress, impoverish biological and natural resources, diminish the quality of life and have impacts far beyond the national boundaries of the Russian Federation. Although funding has been concentrated on pilot demonstration projects in selected areas, it is clear that environmental problems cannot be taken out of context. This strategic objective is directly related to larger U.S. foreign policy goals in support of democratization, the transition to a market economy and systemic reform.

The first arena in which public participation played a significant role in the former Soviet Union was the environmental movement to save Lake Baikal. Out of the Lake Baikal movement grew a nationwide awareness of the extent of environmental damage caused by the policies of the Soviet regime. The system of informal computer information links built by the environmental activists played a crucial role in passing information and building the support that aborted the attempted coup of 1991. The environment remains the single political issue around which virtually all elements of the political spectrum can still find a common language and common goals.

Pilot demonstration projects are an important way to build on the traditions of Russian environmental activism by directly engaging private citizens, NGOs, enterprises, new businesses, trade unions, the press and hands-on environmental workers in formulating the strategies, demanding the changes and implementing the activities that are needed to reduce pollution hazards and to create broad based economic activity incorporating sound environmental principles.

But work at the national, regional and local levels is needed to support policy changes which will incorporate enforceable environmental standards as well as providing incentives for compliance and adoption of new pollution reduction techniques and technologies.

Ideally, *all* USAID projects in *all* sectors should have a strong environmental component, but with limited funding, the choice was made to focus on pilot demonstration projects in selected areas. We expect these projects will serve as models, the results of which will then be disseminated to other areas in Russia.

Given our limited resources and timeframe, we cannot hope to accurately measure "environmental risks" or "public health in Russia". The ENI Strategic Objective has, therefore, been narrowed from "Reduced environmental risks to public health" to "Increased capacity to deal with environmental pollution as a threat to public health". This more accurately describes what USAID can accomplish in Russia.

Critical Assumptions

USAID's environmental program in Russia is intended as temporary aid during the transition to a market economy. Therefore, critical assumptions are that the political, economic and social climate will remain conducive to reform and that there will be continued progress in the transition. It is also critical that Russian counterparts remain committed to project goals.

Causal Linkages

The increased capacity of Russian environmental professionals, managers, and decision makers to deal with environmental pollution as a threat to human health will be achieved through a principal Intermediate Result:

IR 3.3.1 The dissemination of lessons learned from pilot projects, training, and other USAID funded environmental activities to other regions in Russia

This key result will depend on successful results of project activities:

IR 3.3.1.1. An increased number of enterprises adopting/installing pollution reduction techniques and technologies (particularly those that are low cost/no cost)

IR 3.3.1.2 Improved government policies, laws, and regulations -- which provide incentives for compliance and adoption of new pollution reduction techniques/technologies

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Strategic Objective 3.3
Increased capacity to deal with environmental pollution as a threat to public health



IR 3.3.1
Lessons learned from pilot projects, training and demonstrations disseminated to other regions in Russia



IR 3.3.1.1
Increased number of enterprises adopt/install pollution reduction techniques/technologies (particularly low cost/no cost)

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources

IR 3.3.1.1.1
Pilot enterprises test new pollution reduction techniques/technologies (particularly low cost/no cost)

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources

IR 3.3.1.1.2
Environmental experts capable of applying new methods for pollution reduction

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources

IR 3.3.1.1.3
Financing sources respond to demand for pollution reduction technologies

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources



IR 3.3.1.2
Government policies, laws and regulations provide incentives for compliance and adoption of new pollution reduction techniques/technologies

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources

IR 3.3.1.2.1
Regulators and policymakers apply new techniques to reduce environmental pollution

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources

IR 3.3.1.2.2
Policies, laws and regulations are developed and/or modified at the local/regional or national levels to incorporate enforceable environmental standards

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources

IR 3.3.1.2.3
Lessons learnt from pilot pollution reduction demonstrations are disseminated

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources



IR 3.3.1.3
Citizens' initiatives maintain public environmental awareness and encourage government institutions to address environmental issues

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources

IR 3.3.1.3.1
NGOs take more effective environmental advocacy positions

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources

IR 3.3.1.3.2
Citizens knowledge and awareness of environmental issues increases

Timeframe: September 1999
Development Partner:
Ministry of Environmental Protection and Natural Resources

PERFORMANCE ASSESSMENT

Table I - Performance Data

RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS											
						1996		1997		1998		1999		2000			
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
SO 3.3	Increased capacity to deal with environmental pollution as a threat to public health																
IR 3.3.1	Lessons learnt from pilot projects training and demonstrations disseminated to other regions in Russia	Successful pollution reduction and natural resources management policies, practices and techniques are expanded to other cities/regions in Russia and incorporated into national level programs, policies, and guidelines	Definition: new environment management, practices implemented Unit: city or region	1992	0					12 (Sept.)							
IR 3.3.1		Successful pollution reduction and natural resources management policies, practices and techniques are expanded to other cities/regions in Russia and incorporated into national level programs, policies, and guidelines	Definition: Unit: private sector environmental consultant business	1992	0			2 (Sept.)									
IR 3.3.1		Successful pollution reduction and natural resources management policies, practices and techniques are expanded to other cities/regions in Russia and incorporated into national level programs, policies, and guidelines	Definition: national level implementation Unit: policy, regulations, and/or program	1992	0							5					
IR 3.3.1.1	Increased numbers of enterprises adopt/install pollution reduction techniques/technologies (particularly low cost/no cost)	Pollution reduction technologies/techniques adopted by enterprises	Definition: adopt pollution reduction technology Unit: enterprise	1992	0	8											
IR 3.3.1.1.1	Pilot enterprises test new pollution reduction techniques/technologies (particularly low cost/no cost)	Pollution reduction technologies/techniques demonstrated at enterprises	Definition: clean coal demo completed in Novokuznetsk Unit: clean coal demo	1992	0	1 (April)											

Note: No USAID supported activity is foreseen beyond the latest year with data.

RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
						YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 3.3.1.1.1		Pollution reduction technologies/techniques demonstrated at enterprises	Definition: recommendations from clean coal demo completed Unit: list of recommendations	1992	0	1 (July)										
IR 3.3.1.1.1		Pollution reduction technologies/techniques demonstrated at enterprises	Definition: conduct environmental audits Unit: environmental audit	1992	0	12 (May)										
IR 3.3.1.1.2	Environmental experts capable of applying new methods for pollution reduction	Environment experts are trained in new techniques (e.g. env audits, water treatment methods, hydraulic modeling, air dispersion modeling) to reduce environmental pollution	Definition: train new experts Unit: environmental expert	1992	0			50 (Sept.)								
IR 3.3.1.1.3	Financing sources respond to demand for pollution reduction technologies	Loan/grant packages are funded by financing institutions to replicate or build on pilot project/demonstration results	Definition: financial packages submitted to financing institutions Unit: financial package	1992	0			5								
IR 3.3.1.1.3		Loan/grant packages are funded by financing institutions to replicate or build on pilot project/demonstration results	Definition: financial packages approved for funding Unit: financial package	1992	0							2				
IR 3.3.1.2	Government policies, laws and regulations provide incentives for compliance and adoption of new pollution reduction techniques/technologies	Policies, laws and regulations developed or modified at the local, regional or national levels to include economic incentives	Definition: Unit: policy, law and regulation	1992	0							5				
IR 3.3.1.2.	Regulators and policymakers apply new techniques to reduce environmental pollution	Regulators and policymakers are trained and/or certified in new techniques (e.g. risk assessment, VEE-Method 9 etc.) To reduce environmental pollution	Definition: Training or certification of regulators and policymakers Unit: regulator and policymaker	1992	0			75								
IR 3.3.1.2.2	Policies, laws and regulations are developed and/or modified at the local/regional or national levels to incorporate enforceable environmental standards	Data obtained from pilot pollution reduction demonstrations are used by decisionmakers in developing or modifying policies, laws or regulations	Definition: Unit: data get from clean demonstration in NVK	1992	0	1 (July)										

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 3.3.1.2.2		Data obtained from pilot pollution reduction demonstrations are used by decisionmakers in developing or modifying policies, laws or regulations	Definition: results set used in Novokuznetsk Unit: results of analyses using environmental impact assessment software	1992	0			(Sept.)								
IR 3.3.1.2.2		Data obtained from pilot pollution reduction demonstrations are used by decisionmakers in developing or modifying policies, laws or regulations	Definition: Russia specific environmental impact software prepared Unit: modified environmental impact assessment software	1992	0	1 (Sept.)										
IR 3.3.1.2.3	Lessons learnt from pilot pollution reduction demonstrations are disseminated	Government officials and NGOs use pilot project results in environmental decisionmaking and advocacy	Definition: people trained to evaluate and use data obtained from pilot projects (techniques demonstrated include environmental impact assessment, risk analysis, VEE-Method B etc.) in decisionmaking and advocacy Unit: person	1992	0	40 (Sept.)										
IR 3.3.1.2.3		Government officials and NGOs use pilot project results in environmental decisionmaking and advocacy	Definition: international drinking water conference in NVK to disseminate project results Unit: conference	1995 (Nov.)	1											
IR 3.3.1.2.3		Government officials and NGOs use pilot project results in environmental decisionmaking and advocacy	Definition: workshops using risk assessment in environmental quality management Unit: workshop	1992	0			3 (Sept.)								
IR 3.3.1.3	Citizens' initiatives maintain public environmental awareness and encourage government institutions to address environmental issues	Activities promoting environmental interests are undertaken which influence public opinion, public awareness or government decision making (publications, presence in media, public forums, demonstration projects, curriculum development)	Definition: environmental activities completed by NGOs Unit: environmental activity	1992	0			1200								

Note: No USAID supported activity is foreseen beyond the latest year with data.

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RESULT LEVEL (SO or IR) AND NO.	RESULT STATEMENT	PERFORMANCE INDICATOR	INDICATOR DEFINITION* AND UNIT OF MEASUREMENT	BASELINE DATA		TARGETS AND ACTUAL RESULTS										
						1996		1997		1998		1999		2000		
				YEAR	VALUE	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	
IR 3.3.1.3.1	NGOs take more effective environmental advocacy positions	NGOs submit proposals to funding institutions or develop plans to become financially self sustaining	Definition: NGO proposal submission Unit: proposals submitted	1992	0	80 (Sept.)										
IR 3.3.1.3.2	Citizens knowledge and awareness of environmental issues increases	Environmental information centers established or supported	Definition: Unit: environmental information center	1992	0			50								

*optional: use only when clarification of the performance indicator statement is necessary

Note: No USAID supported activity is foreseen beyond the latest year with data.

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IR 3.3.1.3 Citizens' initiatives maintaining public environmental awareness and encouraging government institutions to address environmental issues.

Each of these lower level IRs, in turn depends on specific results of UASID-funded activities. To accomplish IR 3.3.1.1, USAID's environmental program will:

IR 3.3.1.1.1 demonstrate the cost-effectiveness of pollution reduction techniques/technologies, and these technologies/techniques will be adopted and installed at eight enterprises. Techniques will include clean coal demonstrations and environmental audits.

IR 3.3.1.1.2 ensure that environmental experts capable of applying the new methods for pollution reduction are trained in order to ensure that the new techniques/technologies can be continued and replicated once USAID assistance is discontinued, and

IR 3.3.1.1.3 financing sources for pollution reduction technologies will be obtained from non-USAID programs to continue pollution reduction efforts.

To ensure that pollution reduction is realistically achievable during the economic transition, policies, laws, and regulations will be developed at the federal, regional, and local level to provide economic incentives for compliance (IR 3.3.1.2).

IR 3.3.1.2.1 Laws, policies, and regulations will be developed/modified to incorporate standards that are more easily enforceable; and

IR 3.3.1.2.2 regulators and policymakers will be trained in and apply new resource-efficient methods to solving environmental problems

While the private and public sectors are involved in learning new techniques for environmental management and disseminating lessons learned, USAID's environment program will continue to build a constituency for environmental improvement through supporting citizen's initiatives which raise environmental awareness and encourage the government to address environmental problems (IR 3.3.1.3). In this vein,

IR 3.3.1.3.1 environmental activities conducted by NGOs throughout Russia will be strengthened to take more effective advocacy positions and to become more financially self-sustaining, and

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IR 3.3.1.3.2 citizen knowledge and awareness of environmental issues will be increased through the establishment of environmental centers throughout Russia.

2. Results to Date

Limited resources have forced USAID to focus on developing pilot activities that highlight key health related pollution problems and will have a high potential of being replicated in other regions. USAID is working with enterprises in MOscow, Nizhi Tagil, Volgograd, and Novokuznetsk to increase the capacity of Russian environmental professionals, managers and decisionmakers to deal with environmental pollution as a threat to human health.

Environmental audits recommending low cost/no cost methods for pollution reduction have been completed in all of the target cities. Equipment has been, or will soon be, installed to demonstrate new technologies. In addition, environmental experts have been trained in new techniques (e.g., environmental audits, water treatment methods, hydraulic modelling and air dispersion modelling) to reduce environmental pollution.

3. USAID's Contributions

Through technical assistance, equipment grants, policy advice, training and activities to increase public environmental awareness USAID is working to supplement and build on activities already initiated by Russians. This approach, which strengthens capacity to deal with environmental problems, increases the chances for sustainable results and systemic change in this important sector. USAID's commitment to date has been \$42 million; a total of \$54 million is expected by the end of the program.

In addition, at the local level, USAID supports environmental activists who, with city and oblast regulators, are making links with scientific data that will result in decreased threats to health from environmental pollution, not just in project areas, but nationwide. This grassroots approach aims at building a constituency for environmental improvement by raising environmental awareness, in part through environmental education. This constituency will help to encourage the government to address the problems.

4. Expected Progress in FY 1997 and FY 1998

Russia is attempting to address its extremely severe environmental problems, but faces powerful obstacles which include: insufficient financial resources; lack of a

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coherent and effective legal, regulatory and operational framework needed to promulgate and enforce good environmental practices; lack of an incentive system to promote environmental investment; lack of public awareness and involvement in environmental decision-making; fragmentation and poor coordination among agencies responsible for oversight of environmental issues and unreliable data, which impedes good environmental planning and policy making.

Because the problems are enormous and USAID resources small, USAID's approach will continue to focus on key policy change at the national and territorial level and on creating successful models of pollution control and natural resources management in a few pilot regions, which will be aggressively promoted nationwide.

Technical assistance from HIID will provide advice for the modification of environmental laws, regulations and policies conducive to sustainable economic development. A particular target is supporting the development of an incentive system to encourage environmental investment and discourage pollution in the context of a market economy.

A new area of emphasis for USAID support will be the dissemination of new policies, laws and regulations as well as the "lessons learned" from successful new models of pollution control and natural resource management developed through other elements of the project. The Minister of Environmental Protection and Natural Resources (MEPNR) is committed to undertaking the lead role in the dissemination process, working both at the federal level and through territorial and municipal environment departments of government.

A first step will be the design a dissemination strategy, which will include support for preparation of studies, manuals, data sets and other relevant informational materials as well as workshops, seminars, training sessions and other vehicles through which dissemination activities will take place. Over 300 Russian environmental specialists and policy makers have thus far received U.S.-based training on everything from new methods of risk assessment and pollution control to environmental business development. The prospects for accelerating the change process are excellent.

Russia's environmental problems are so pervasive that USAID can only hope to serve as a catalyst for change that will be many years in the making. Some changes will occur faster than others:

- The introduction of some new industrial technologies in USAID pilot areas,

such as clean burning coal processes, has already generated great interest and has the potential for rapid dissemination.

- New methods of air and water quality monitoring are being rapidly introduced, and new environmental business development programs are very popular and will be quickly self-sustaining.

On the other hand, important policy changes such as creating environmental tax incentives, designing effective pollution enforcement mechanisms, instituting good forest management practices, generating strong public advocacy for environmental issues and reaching a national consensus on sustainable development will probably take several years to materialize.

For these reasons, it is important for USAID to remain fully engaged, at least for the next two years or so until new approaches being promoted by USAID are able to take hold. To accomplish these results, USAID will *not* be able to fund work in other key areas of importance, such as solid and toxic waste disposal and problems of pollution from chemical and radioactive sources. It will *not* be possible to fund large-scale work in lead abatement programs and other such programs. To do so would jeopardize the successful completion of results which USAID and Russian authorities have agreed are the top priorities for this sector.

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PART III. RESOURCE REQUIREMENTS

The "discretionary" budget marks which have been provided to USAID/Russia for FY 1997, 1998, and 1999 are, respectively: \$72.4 million; \$41 million; and \$34 million. Not included in these levels are funds for the Eurasia Foundation in Russia (an estimated \$8 million per year) or the U.S. Russian Investment Fund (TUSRIF), for a projected \$20 million per year. The Mission has also done a contingency table for FY 98 at the USAID/discretionary "mark level" minus 20 percent.

Mission planning for the best use of the "discretionary" levels is summarized in Agency Table I, the All Resources Table. Mission Table 1 shows the allocation for each fiscal year (including the FY98 minus 20%) by project and activity, and Mission Table 2 lays out the allocation by SO and activity. Mission Table 3 provides a more complete and historical picture by project as it breaks down the \$1.4 billion obligated up to the end of FY 1995 in Russia and projects to FY 99 a total obligation level of \$1.76 billion. Mission Table 4 summarizes the Life-of-Objective analysis by Strategic Objective.

Simplifying assumptions have been used in all tables. The quality of the FY92 - FY 95 data is not perfect, nor is it entirely consistent with other Bureau records. The general database that we used was the FM database on obligations and expenditures at the close of FY 95, supplemented with information from ENI/PER on Omnibus I obligations. But, for example, we have modified some of the attributions for Omnibus I obligations to relate more closely to results and we have added information on obligations missing from the FM table. We have also coded activities against only one SO to simplify accounting. The former project components, however, have been broken up several ways to fit the Results Framework most appropriately.

The stories which the tables tell is:

- A more significant **concentration of resources directed toward the economic transition** -- 63 percent for this strategic area as opposed to 9 percent for democratic reforms and 8 percent for social sector restructuring. SO 1.3 -- accelerated development and growth of private enterprises -- will have taken about 30 percent of USAID resources by the time the program closes out. SOs 1.3 and 1.4 combined have already accounted for 48 percent of obligations to date; this percentage will go up by one point as the resource request for SO 1.4, a more robust and market-supportive financial sector, is

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increased in relative terms in FY 97 and FY 98.

- Programs which are cross-cutting (e.g., NIS Exchanges and Training, PD&S) or are being undertaken for reasons other than strategic priority have been significant -- 23 percent of the funds obligated through FY 95 and about 20 percent projected for the life of the program.
- We are now seeing clearly the **precipitous decline in USAID support** for Russia's economic and democratic transition. 78 percent of all planned funding is already obligated.
- There will be a high degree of **focus in activities** by FY 98 in line with the exit/transition strategies (with the consequence that almost a third of funds in FY 99 are unprogrammed).

In the following sections, the resource requests for each SO highlight specific areas of focus.

Mission Table 1.
Resource Requests (FY 96 - FY 98) by Project

Project/Components and Strategic Objectives	Activity	FY 96	FY 97	FY 98	FY 98 minus 20%	FY 99
Proj. 0001 - Special Initiatives		\$1,001	\$1,000	\$1,450	\$1,150	\$15,050
1.1	Emergency humanitarian assistance					
1.2	Program development and support	\$1,001	\$1,000	\$1,450	\$1,150	\$2,000
1.3	Cross-cutting					\$13,050
Proj. 0002 - Energy		\$7,327	\$5,200	\$2,100	\$2,100	\$100
2.1	Pricing and national policy	\$2,000	\$0	\$0	\$0	\$0
	¹ USEA Exchanges/partnership	\$2,000				
2.2	District heating and energy efficiency					
2.3	Energy subsector restructuring	\$4,927	\$5,000	\$2,000	\$2,000	\$0
	² JEAS follow-on, Burns and Roe	\$250				
	³ Institutional based services, Hagler-Bailly	\$4,177	\$5,000	\$2,000	\$2,000	
	⁴ Transfer to Kazakh. for PIER advance/coal	\$500				
2.4	Nuclear power safety					
2.5	Regional trade and international markets	\$200	\$0	\$0	\$0	\$0
	⁵ Oil and Gas Center in Tyumen, DOE	\$200				
2.8	Administrative, other	\$200	\$200	\$100	\$100	\$100
Proj. 0003 - Environment		\$5,000	\$6,500	\$2,700	\$2,700	\$3,200
3.1	Environmental policy and institution-building	\$2,000	\$3,000	\$2,000	\$2,000	\$2,000
	⁶ Env. dissemination (policy and models), TBD	\$2,000	\$3,000	\$2,000	\$2,000	\$2,000
3.2	Preventing health risks from pollution	\$1,000	\$700	\$0	\$0	\$0
	⁷ Environmental health, TBD	\$1,000				
	⁸ Pollution management, CH2MHill		\$700			
3.3	Public awareness and environmental accountability	\$1,000	\$600	\$500	\$500	\$1,000
	⁹ Grassroots advocacy, ISAR	\$1,000	\$600	\$500	\$500	\$1,000
3.4	Aral Sea Initiative					
3.5	Natural resource management	\$500	\$2,000	\$0	\$0	\$0
	¹⁰ RFE Forest Management/Biodiversity, TBD		\$2,000			
	¹¹ Baikal development, ESD	\$500				
3.8	Administrative, other	\$500	\$200	\$200	\$200	\$200
Proj. 0004 - Health		\$18,501	\$5,500	\$3,000	\$2,800	\$2,300
4.1	Medical partnerships	\$3,800	\$3,000	\$1,500	\$1,500	\$2,000
	¹² Hospital partnerships, AIHA	\$3,800	\$3,000	\$1,500	\$1,500	\$2,000
4.2	Pharmaceutical security	\$11,151	\$0	\$0	\$0	\$0
	¹³ MTTA: Mir	\$5,629				
	¹⁴ MTTA: Bristol Myers Squibb	\$4,597				
	¹⁵ MTTA: Oversight - IBTCI	\$925				
4.3	Health information					
4.4	Health care financing/service delivery reform	\$3,000	\$2,000	\$1,000	\$1,000	\$0
	¹⁶ Health policy reform, HHS	\$500				
	¹⁷ Partnerships for health reform, HPI, BU, TBD	\$2,500	\$2,000	\$1,000	\$1,000	
4.5	Womens' reproductive health	\$250	\$0	\$0	\$0	\$0
	¹⁸ Condom procurement, Global Bureau	\$250				
4.6	Administrative, other	\$300	\$500	\$500	\$300	\$300
Proj. 0005 - Private Sector		\$33,775	\$21,800	\$11,000	\$7,500	\$4,000
5.1	Privatization					
5.2	Land markets (see 8.4)					
5.3	Capital markets/regulatory	\$8,000	\$3,000	\$2,000	\$1,000	\$0
	¹⁹ Advisory services to RFCSCM, US SEC	\$1,000				
	²⁰ Resources Secretariat Support, PW	\$5,000				
	²¹ Institutionalization support, RFCSCM, TBD	\$2,000	\$3,000	\$2,000	\$1,000	
5.4	Public education					
5.5	Post-privatization assistance to enterprises	\$3,000	\$1,000	\$1,000	\$0	\$0
	²² Policy advisory/oversight, HIID	\$3,000	\$1,000	\$1,000		

Mission Table 1.
Resource Requests (FY 96 - FY 98) by Project

Project/Components and Strategic Objectives	Activity	FY 96	FY 97	FY 98	FY 98 minus 20%	FY 99
5.6 Policy, legal and regulatory reform		\$3,275	\$3,500	\$1,000	\$1,000	\$0
	23 Commercial law development, HIID	\$2,500	\$3,000	\$1,000	\$1,000	
	24 Bankruptcy, TBD	\$775	\$500			
5.7 Small and new business development		\$17,400	\$12,500	\$5,750	\$4,500	\$2,500
	25 Entrepreneurial assistance, CCI	\$2,000	\$2,000			
	26 Business volunteers, CDC	\$500				
	27 Firm level assistance, IESC	\$3,000				
	28 Joint venture dev./defcon, Pepperdine	\$400				
	29 U.S. volunteer bus. assistance		\$2,000	\$1,000	\$1,000	\$500
	30 Regional small business development, UAA	\$1,500	\$1,000	\$750	\$500	
	31 New business development, DT	\$4,500	\$2,000			
	32 Business Collaboration Center, CDC	\$1,400	\$1,000	\$1,000	\$1,000	
	33 Microincubators/leasing, OI	\$100	\$1,000	\$1,000	\$1,000	\$1,000
	34 Microenterprise finance, TBD		\$1,500	\$1,000	\$1,000	\$1,000
	35 Nat'l business training network, SUNY/Morozo	\$3,000	\$2,000	\$1,000		
	36 Small business training for bankers, FDD	\$1,000				
5.8 Trade and investment						
5.9 Administrative, other		\$2,100	\$1,800	\$1,250	\$1,000	\$1,500
Proj. 0006 - Food Systems Restructuring		\$0	\$0	\$0	\$0	\$0
	6.1 Storage system					
	6.2 Marketing efficiency					
	6.3 Agribusiness partnerships					
	6.4 Privatized farm support					
	6.4 Administrative, other					
Proj. 0007 - Democratic Reform		\$16,200	\$11,300	\$9,150	\$6,650	\$6,150
	7.1 Political process	\$2,500	\$300	\$300	\$300	\$300
	37 Strengthened party/civic organizations, IRI	\$1,000				
	38 Strengthening election commission, IFES	\$300				
	39 Strengthened party/civic organizations, NDI	\$1,000				
	40 Training parliamentarians, Moscow School PS	\$200	\$300	\$300	\$300	\$300
	72. Rule of law	\$5,250	\$3,000	\$2,500	\$2,000	\$1,500
	41 Rule of law, ARD/Checchi	\$2,000				
	42 Rule of law, TBD	\$1,750	\$2,500	\$2,000	\$1,500	\$1,000
	43 Support for labor law centers, FTUI	\$500	\$500	\$500	\$500	\$500
	44 Law applications training, ABA/CEELI	\$1,000				
	7.3 Public administration/local government	\$1,600	\$3,000	\$2,500	\$2,000	\$2,000
	45 Municipal Finance Management, RTI	\$1,600				
	46 Local government initiative		\$3,000	\$2,500	\$2,000	\$2,000
	7.4 Civil society	\$2,600	\$2,500	\$2,500	\$2,000	\$2,000
	47 Civic Initiatives Program, Save	\$1,600				
	48 Civic Initiatives Program II, TBD		\$2,000	\$2,000	\$2,000	\$2,000
	49 Support for independent labor unions, FTUI	\$1,000	\$500	\$500		
	7.5 Independent media	\$3,750	\$2,000	\$1,000	\$0	\$0
	50 Network independent TV/newspapers, Interne	\$1,500	\$2,000	\$1,000		
	51 Media Development Partnerships, RAMPS	\$2,250				
	7.6 Administrative, other	\$500	\$500	\$350	\$350	\$350
Proj. 0008 - Housing		\$14,827	\$5,500	\$2,000	\$2,000	\$1,000
	8.1 Market based housing sector	\$2,000	\$500	\$0	\$0	\$0
	52 Housing sector reform program, Urban Inst/PA	\$1,500				
	53 Housing reform institutionalization, RIUE		\$500			
	54 Russian housing technology, NAHB	\$500				
	8.2 Housing for demobilized Russian officers					
	8.3 Land markets	\$12,500	\$4,750	\$2,000	\$2,000	\$1,000
	55 Deepening real estate reform, Urban Institute	\$2,500	\$1,000	\$1,000	\$1,000	\$1,000
	56 Mortgage rollout, UI	\$3,000	\$1,000			

Mission Table 1.
Resource Requests (FY 96 - FY 98) by Project

Project/Components and Strategic Objectives	Activity	FY 96	FY 97	FY 98	FY 98 minus 20%	FY 99
	⁵⁷ Property tax rollout, CFED	\$4,000	\$1,750	\$1,000	\$1,000	
	⁵⁸ Land use/zoning rollout, UI	\$3,000	\$1,000			
8.9	Administrative, other	\$327	\$250			
Proj. 0009 - Economic Restructuring and Financial Reform		\$22,550	\$12,400	\$7,400	\$5,700	\$0
9.1	Fiscal reform	\$5,900	\$5,000	\$4,000	\$3,500	\$0
	⁵⁹ Tax policy, coordination, HIID and others	\$2,200	\$5,000	\$4,000	\$3,500	
	⁶⁰ Tax training, ITTC, OECD	\$500				
	⁶¹ Regional tax issues, TBD	\$1,000				
	⁶² Revenue estimation, econ analysis, KPMG	\$2,200				
9.2	Financial sector reform	\$14,250	\$6,000	\$3,000	\$2,000	\$0
	⁶³ Commercial banker training, KPMG	\$750				
	⁶⁴ Commercial bank support, TBD		\$2,000	\$1,000		
	⁶⁵ Financial/monetary advisory, FSVC	\$2,000	\$1,500			
	⁶⁶ Small investors/comm \$ tmg, TBD	\$3,500				
	⁶⁷ New issues, PW	\$1,000				
	⁶⁸ Corporate finance, transactions, TBD	\$1,500				
	⁶⁹ Corporate finance, training, TBD	\$1,500				
	⁷⁰ Mutual funds pilot, PW	\$1,500				
	⁷¹ Mutual funds expansion, TBD	\$2,500	\$2,500	\$2,000	\$2,000	
9.3	Market environment	\$2,000	\$1,000	\$0	\$0	
	⁷² GATT- WTO accession, DOC	\$500				
	⁷³ Natural monopoly regulation, TBD	\$1,500	\$1,000			
9.4	Administrative, other	\$400	\$400	\$400	\$200	
Proj. 0010 - Eurasia Foundation		\$5,000	\$8,000	\$8,000	\$8,000	\$8,000
Proj. 0011 - Enterprise Funds		\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
11.1	W/NIS Enterprise Fund					
11.2	Russian-American Ent Funds	\$15,000	\$20,000	\$20,000	\$20,000	\$20,000
11.3	Small Business Funds, EBRD	\$5,000				
11.4	Central Asia Enterprise Funds					
Proj. 0012 - NIS Exchanges and Training		\$3,000	\$3,200	\$2,200	\$2,200	\$2,200
12.1	Exchanges and training	\$2,800	\$3,000	\$2,000	\$2,000	\$2,000
	⁷⁴ Administration of ST training/linkages, AED	\$1,700				
	⁷⁵ Administration of ST training/linkages, TBD	\$1,100	\$3,000	\$2,000	\$2,000	\$2,000
12.8	Administrative, other	\$200	\$200	\$200	\$200	\$200
TOTAL FOR ALL PROJECTS – INCLUDING EURASIA AND ENT FUNDS		\$147,181	\$100,400	\$69,000	\$60,800	\$62,000
TOTAL FOR ALL PROJECTS – USAID DISCRETIONARY		\$122,181	\$72,400	\$41,000	\$32,800	\$34,000

Mission Table 2
Resource Requests (FY 96 - FY 98) by Strategic Objective

Project/Components and Strategic Objectives	Activity	FY 96	FY 97	FY 98	FY 98 minus 20%	FY 99
SO 1.1	Increased transfer of state-owned assets to the private sector					
SO 1.2	Tax system reformed to correspond to a decentralized market economy	\$9,900	\$6,750	\$5,000	\$4,500	\$0
	59 Tax policy, coordination, HIID and others	\$2,200	\$5,000	\$4,000	\$3,500	
	60 Tax training, ITTC, OECD	\$500				
	61 Regional tax issues, TBD	\$1,000				
	62 Revenue estimation, econ analysis, KPMG	\$2,200				
	57 Property tax rollout, CFED	\$4,000	\$1,750	\$1,000	\$1,000	
SO 1.3	Accelerated development and growth of private enterprises	\$56,302	\$43,770	\$31,720	\$29,220	\$26,720
	23 Commercial law development, HIID	\$2,500	\$3,000	\$1,000	\$1,000	
	24 Bankruptcy, TBD	\$775	\$500			
	22 Policy advisory/oversight, HIID	\$3,000	\$1,000	\$1,000		
	52 Housing sector reform program, Urban Inst/PA	\$1,500				
	73 Natural monopoly regulation, TBD	\$1,500	\$1,000			
	72 GATT- WTO accession, DOC	\$500	\$0			
	IR 1.3.1	\$9,775	\$5,500	\$2,000	\$1,000	\$0
	25 Entrepreneurial assistance, CCI	\$2,000	\$2,000			
	26 Business volunteers, CDC	\$500	\$0			
	27 Firm level assistance, IESC	\$3,000	\$0			
	28 Joint venture dev./defcon, Pepperdine	\$400	\$0			
	30 Regional small business development, UAA	\$1,500	\$1,000	\$750	\$500	\$0
	33 Microincubators/leasing, OI	\$100	\$1,000	\$1,000	\$1,000	\$1,000
	11.2 Russian-American Ent Funds	\$15,000	\$20,000	\$20,000	\$20,000	\$20,000
	Proj. 0010 - Eurasia Foundation	\$1,700	\$2,720	\$2,720	\$2,720	\$2,720
	IR 1.3.2	\$24,200	\$26,720	\$24,470	\$24,220	\$23,720
	54 Russian housing technology, NAHB	\$500				
	58 Land use/zoning rollout, UI	\$3,000	\$1,000			
	55 Deepening real estate reform, Urban Institute	\$2,500	\$1,000	\$1,000	\$1,000	\$1,000
	53 Housing reform institutionalization, RIUE	\$0	\$500			
	IR 1.3.3	\$6,000	\$2,500	\$1,000	\$1,000	\$1,000
	29 U.S. volunteer bus. assistance	\$0	\$2,000	\$1,000	\$1,000	\$500
	35 Nat'l business training network, SUNY/Morozov	\$3,000	\$2,000	\$1,000		
	31 New business development, DT	\$4,500	\$2,000			
	11.3 Small Business Funds, EBRD	\$5,000				
	32 Business Collaboration Center, CDC	\$1,400	\$1,000	\$1,000	\$1,000	
	IR 1.3.4	\$13,900	\$7,000	\$3,000	\$2,000	\$500
	5.9 Administrative, other	\$2,100	\$1,800	\$1,250	\$1,000	\$1,500
	8.9 Administrative, other	\$327	\$250	\$0	\$0	\$0
SO 1.4	A robust and market-supportive financial sector	\$26,650	\$11,900	\$6,400	\$4,200	\$1,000
	34 Microenterprise finance, TBD	\$0	\$1,500	\$1,000	\$1,000	\$1,000
	36 Small business training for bankers, FDD	\$1,000				
	63 Commercial banker training, KPMG	\$750				
	64 Commercial bank support, TBD	\$0	\$2,000	\$1,000		

Mission Table 2
Resource Requests (FY 96 - FY 98) by Strategic Objective

Project/Components and Strategic Objectives	Activity	FY 96	FY 97	FY 98	FY 98 minus 20%	FY 99
	65 Financial/monetary advisory, FSVC	\$2,000	\$1,500			
	66 Small investors/comm \$ trng, TBD	\$3,500				
	67 New issues, PW	\$1,000				
	68 Corporate finance, transactions, TBD	\$1,500				
	69 Corporate finance, training, TBD	\$1,500				
	70 Mutual funds pilot, PW	\$1,500				
	71 Mutual funds expansion, TBD	\$2,500	\$2,500	\$2,000	\$2,000	
	19 Advisory services to RFCSCM, US SEC	\$1,000				
	20 Resources Secretariat Support, PW	\$5,000				
	21 Institutionalization support, RFCSCM, TBD	\$2,000	\$3,000	\$2,000	\$1,000	
	56 Mortgage rollout, UI	\$3,000	\$1,000	\$0	\$0	
	9.4 Administrative, other	\$400	\$400	\$400	\$200	
SO 1.5	A more economically and environmentally sound energy system	\$7,327	\$5,200	\$2,100	\$2,100	\$0
	1 USEA Exchanges/partnership	\$2,000				
	2 JEAS follow-on, Burns and Roe	\$250				
	3 Institutional based services, Hagler-Bailly	\$4,177	\$5,000	\$2,000	\$2,000	
	4 Transfer to Kazakh. for PIER advance/coal	\$500				
	5 Oil and Gas Center in Tyumen, DOE	\$200				
	2.8 Administrative, other	\$200	\$200	\$100	\$100	
SO 2.1	Increased, better informed citizens' participation in political and economic decision-making	\$13,150	\$10,680	\$9,580	\$8,080	\$8,580
	37 Strengthened party/civic organizations, IRI	\$1,000				
	38 Strengthening election commission, IFES	\$300				
	39 Strengthened party/civic organizations, NDI	\$1,000				
	40 Training parliamentarians, Moscow School PS	\$200	\$300	\$300	\$300	\$300
	47 Civic Initiatives Program, Save	\$1,600				
	48 Civic Initiatives Program II, TBD	\$0	\$2,000	\$2,000	\$2,000	\$2,000
	49 Support for independent labor unions, FTUI	\$1,000	\$500	\$500		
	50 Network independent TV/newspapers, Internew	\$1,500	\$2,000	\$1,000		
	51 Media Development Partnerships, RAMPS	\$2,250				
	9 Grassroots advocacy, ISAR	\$1,000	\$600	\$500	\$500	\$1,000
	Proj. 0010 - Eurasia Foundation	\$3,300	\$5,280	\$5,280	\$5,280	\$5,280
SO 2.2	Legal systems that better support democratic processes and market reforms	\$5,750	\$3,500	\$2,850	\$2,350	\$1,850
	41 Rule of law, ARD/Cecchi	\$2,000	\$0	\$0	\$0	\$0
	42 Rule of law, TBD	\$1,750	\$2,500	\$2,000	\$1,500	\$1,000
	43 Support for labor law centers, FTUI	\$500	\$500	\$500	\$500	\$500
	44 Law applications training, ABA/CEELI	\$1,000	\$0	\$0	\$0	\$0
	7.6 Administrative, other	\$500	\$500	\$350	\$350	\$350
SO 2.3	More effective, responsive and accountable local government in selected cities	\$1,600	\$3,000	\$2,500	\$2,000	\$2,000
	45 Municipal Finance Management, RTI	\$1,600				
	46 Local government initiative	\$0	\$3,000	\$2,500	\$2,000	\$2,000

Mission Table 2
Resource Requests (FY 96 - FY 98) by Strategic Objective

Project/Components and Strategic Objectives	Activity	FY 96	FY 97	FY 98	FY 98 minus 20%	FY 99
SO 3.2	Improved sustainability of social benefits and services	\$7,350	\$5,500	\$3,000	\$2,800	\$2,300
	12 Hospital partnerships, AIHA	\$3,800	\$3,000	\$1,500	\$1,500	\$2,000
	16 Health policy reform, HHS	\$500				
	17 Partnerships for health reform, HPI, BU, TBD	\$2,500	\$2,000	\$1,000	\$1,000	
	18 Condom procurement , Global Bureau	\$250				
	4.6 Administrative, other	\$300	\$500	\$500	\$300	\$300
SO 3.3	Increase capacity to deal with environmental pollution as a threat to public health	\$3,500	\$3,900	\$2,200	\$2,200	\$2,200
	6 Env. dissemination (policy and models), TBD	\$2,000	\$3,000	\$2,000	\$2,000	\$2,000
	7 Environmental health, TBD	\$1,000	\$0	\$0	\$0	\$0
	8 Pollution management, CH2MHill	\$0	\$700	\$0	\$0	\$0
	3.8 Administrative, other	\$500	\$200	\$200	\$200	\$200
SO 4	Supplementary Programs	\$15,652	\$6,200	\$3,650	\$3,350	\$17,250
	10 RFE Forest Management/Biodiversity, TBD	\$0	\$2,000			
	11 Baikal development, ESD	\$500				
	13 MTTA: Mir	\$5,629				
	14 MTTA: Bristol Myers Squibb	\$4,597				
	15 MTTA: Oversight - IBTCI	\$925				
	12.8 Administrative, other	\$200	\$200	\$200	\$200	\$200
	74 Administration of ST training/linkages, AED	\$1,700				
	75 Administration of ST training/linkages, TBD	\$1,100	\$3,000	\$2,000	\$2,000	\$2,000
	1.2 Program development and support	\$1,001	\$1,000	\$1,450	\$1,150	\$2,000
	1.3 Cross-cutting	\$0	\$0	\$0	\$0	\$13,050
TOTAL FOR ALL SOs-- EURASIA AND ENT FUNDS INCLUDED		\$147,181	\$100,400	\$69,000	\$60,800	\$61,900
TOTAL FOR ALL SOs -- USAID DISCRETIONARY ONLY		\$122,181	\$72,400	\$41,000	\$32,800	\$33,900

**Mission Table 3
USAID Russia Program
Obligations by Project by Fiscal Year
Actual and Planned**

	FY 92	FY 93	FY 94	FY 95	LOP To date	FY 96	FY 97	FY 98	FY 99	Planned Total LOP
Total for All Projects (not including 0013)	\$85,330,403	\$243,604,186	\$766,871,511	\$285,698,328	\$1,381,504,428	\$147,181,000	\$100,400,000	\$69,000,000	\$62,000,000	\$1,760,085,428
Proj. 0001 - Special Initiatives	\$22,266,786	\$12,681,606	\$1,673,339	\$4,552,726	\$41,173,357	\$1,001,000	\$1,000,000	\$1,450,000	\$15,050,000	\$59,674,357
1.1 Emergency and humanitarian	\$16,688,895	\$10,846,493	\$300,000	\$3,420,000	\$31,255,388	\$0	\$0	\$0	\$0	\$0
1.2 Technical support and PD&S	\$271,191	\$1,203,013	\$1,373,339	\$1,132,726	\$3,980,269	\$1,001,000	\$1,000,000	\$1,450,000	\$2,000,000	\$9,431,269
1.3 Cross-sectoral programs	\$5,305,700	\$632,000	\$0	\$0	\$5,937,700	\$0	\$0	\$0	\$13,050,000	\$18,987,700
Proj. 0002 - Energy	\$33,763,396	\$23,163,712	\$28,983,010	\$16,245,224	\$101,155,341	\$7,327,000	\$5,200,000	\$2,100,000	\$100,000	\$115,882,341
2.1 Pricing and national policy	\$1,300,000	\$454,125	\$16,500	\$50,000	\$1,820,625	\$2,000,000	\$0	\$0	\$0	\$3,820,625
2.2 District heating and energy efficiency	\$0	\$800,000	\$7,022,297	\$4,150,825	\$11,973,122	\$0	\$0	\$0	\$0	\$0
2.3 Energy subsector restructuring	\$596,722	\$8,088,095	\$20,854,349	\$10,681,811	\$40,220,977	\$4,927,000	\$5,000,000	\$2,000,000	\$0	\$52,147,977
2.4 Nuclear power safety	\$31,836,390	\$9,830,000	\$0	\$0	\$41,666,390	\$0	\$0	\$0	\$0	\$0
2.5 Regional trade and international markets	\$0	\$3,943,138	\$0	\$0	\$3,943,138	\$200,000	\$0	\$0	\$0	\$4,143,138
2.9 Program administration	30283	\$48,354	\$1,089,864	\$362,588	\$1,531,089	\$200,000	\$200,000	\$100,000	\$100,000	\$2,131,089
Proj. 0003 - Environment	\$0	\$5,825,286	\$31,738,694	\$25,271,199	\$62,835,179	\$5,000,000	\$6,500,000	\$2,700,000	\$3,200,000	\$80,235,179
3.1 Environmental policy and institution-building	\$0	\$1,178,447	\$1,080,000	\$2,500,000	\$4,758,447	\$2,000,000	\$3,000,000	\$2,000,000	\$2,000,000	\$13,758,447
3.2 Preventing health risks from pollution	\$0	\$4,127,850	\$21,173,626	\$9,581,459	\$34,882,935	\$1,000,000	\$700,000	\$0	\$0	\$36,582,935
3.3 Public awareness and env. accountability	\$0	\$0	\$1,100,000	\$2,421,200	\$3,521,200	\$1,000,000	\$600,000	\$500,000	\$1,000,000	\$6,621,200
3.5 Natural resource management	\$0	\$420,036	\$8,000,000	\$7,743,500	\$16,163,536	\$500,000	\$2,000,000	\$0	\$0	\$18,663,536
3.8 Program administration	\$0	\$98,953	\$385,068	\$3,025,040	\$3,509,061	\$500,000	\$200,000	\$200,000	\$200,000	\$4,609,061
Proj. 0004 - Health	\$8,782,263	\$5,895,299	\$37,328,448	\$24,776,019	\$76,782,029	\$18,501,000	\$5,500,000	\$3,000,000	\$2,300,000	\$106,083,029
4.1 Medical partnerships	\$5,332,500	\$770,000	\$12,640,000	\$4,000,000	\$22,742,500	\$3,800,000	\$3,000,000	\$1,500,000	\$2,000,000	\$33,042,500
4.2 Vaccine and pharmaceutical security	\$3,374,032	\$2,003,534	\$4,028,152	\$10,152,048	\$19,567,766	\$11,151,000	\$0	\$0	\$0	\$30,708,766
4.3 Health monitoring	\$0	\$0	\$2,672,823	\$0	\$2,672,823	\$0	\$0	\$0	\$0	\$0
4.4 Health care financing/service delivery reform	\$56,000	\$2,423,002	\$16,009,618	\$3,739,819	\$22,228,439	\$3,000,000	\$2,000,000	\$1,000,000	\$0	\$28,228,439
4.5 Womens' Reproductive Health	\$0	\$656,861	\$1,461,000	\$5,865,266	\$7,983,127	\$250,000	\$0	\$0	\$0	\$8,233,127
4.6 Program administration	\$19,731	\$41,902	\$516,855	\$1,018,886	\$1,597,374	\$300,000	\$500,000	\$500,000	\$300,000	\$3,197,374
Proj. 0005 - Private Sector	\$10,561,032	\$89,320,336	\$233,646,472	\$103,927,211	\$437,455,051	\$33,775,000	\$21,800,000	\$11,000,000	\$4,000,000	\$508,030,051
5.1 Privatization	\$3,584,312	\$40,633,249	\$30,875,834	\$4,500,000	\$79,593,395	\$0	\$0	\$0	\$0	\$79,593,395
5.2 Land markets	\$0	\$2,145,087	\$32,148,952	\$24,359,104	\$58,653,143	(SEE PROJ. 0006)	\$0	\$0	\$0	\$58,653,143
5.3 Capital markets	\$0	\$7,293,722	\$46,893,092	\$21,140,973	\$75,327,787	\$8,000,000	\$3,000,000	\$2,000,000	\$0	\$88,327,787
5.4 Public education	\$0	\$0	\$14,558,303	\$8,549,544	\$23,107,847	\$0	\$0	\$0	\$0	\$23,107,847
5.5 Post privatization	\$1,000,000	\$8,027,716	\$38,436,781	\$2,447,982	\$49,912,479	\$3,000,000	\$1,000,000	\$1,000,000	\$0	\$54,912,479
5.6 Policy, legal and regulatory reform	\$0	\$15,673,994	\$11,381,332	\$14,048,350	\$41,103,676	\$3,275,000	\$3,500,000	\$1,000,000	\$0	\$48,878,676
5.7 New and Small business	\$676,720	\$10,415,000	\$54,161,980	\$26,604,332	\$91,858,032	\$17,400,000	\$12,500,000	\$5,750,000	\$2,500,000	\$130,008,032
5.8 Trade and investment	\$5,300,000	\$3,470,509	\$267,023	\$0	\$9,037,532	\$0	\$0	\$0	\$0	\$9,037,532
5.9 Program administration	\$0	\$1,661,059	\$4,923,175	\$2,276,926	\$8,861,160	\$2,100,000	\$1,800,000	\$1,250,000	\$1,500,000	\$15,511,160
Proj. 0006 - Food Systems Restructuring	\$1,768,063	\$23,420,139	\$20,566,700	\$0	\$45,753,902	\$0	\$0	\$0	\$0	\$45,753,902
6.1 Storage systems	\$1,518,063	\$534,000	\$1,152,635	\$0	\$3,204,698	\$0	\$0	\$0	\$0	\$3,204,698
6.2 Marketing efficiency	\$226,700	\$0	\$0	\$0	\$226,700	\$0	\$0	\$0	\$0	\$226,700
6.3 Agribusiness partnership	\$23,300	\$22,886,139	\$9,300,000	\$0	\$32,209,439	\$0	\$0	\$0	\$0	\$32,209,439
6.4 Market oriented farm support	\$0	\$0	\$9,854,002	\$0	\$9,854,002	\$0	\$0	\$0	\$0	\$9,854,002
6.5 Program administration	\$0	\$0	\$259,063	\$0	\$259,063	\$0	\$0	\$0	\$0	\$259,063
Proj. 0007 - Democratic Reform	\$4,115,890	\$16,714,341	\$41,232,614	\$23,142,076	\$85,204,921	\$16,200,000	\$11,300,000	\$9,150,000	\$6,150,000	\$128,004,921
7.1 Political process	\$2,893,478	\$2,965,192	\$10,123,175	\$3,700,000	\$19,681,845	\$2,500,000	\$300,000	\$300,000	\$300,000	\$23,081,845
7.2 Rule of law	\$439,692	\$6,200,724	\$3,909,360	\$4,750,000	\$15,299,776	\$5,250,000	\$3,000,000	\$2,500,000	\$1,500,000	\$27,549,776

Mission Table 3
USAID Russia Program
Obligations by Project by Fiscal Year
Actual and Planned

	FY 92	FY 93	FY 94	FY 95	LOP To date	FY 96	FY 97	FY 98	FY 99	Planned Total LOP
7.3 Public administration/local government		\$4,818,000	\$8,052,000	\$2,372,660	\$18,242,660	\$1,600,000	\$3,000,000	\$2,500,000	\$2,000,000	\$24,342,660
7.4 Civil society			\$11,544,589	\$6,650,000	\$18,194,589	\$2,600,000	\$2,500,000	\$2,500,000	\$2,000,000	\$27,794,589
7.5 Independent media	\$760,900	\$2,524,998	\$7,154,909	\$5,020,593	\$18,461,400	\$3,750,000	\$2,000,000	\$1,000,000		\$22,211,400
7.6 Program administration	\$21,820	\$205,427	\$448,581	\$648,823	\$1,324,661	\$500,000	\$500,000	\$350,000	\$350,000	\$3,024,651
Proj. 0008 - Housing	\$2,573,974	\$12,658,333	\$162,848,069	\$11,290,501	\$189,370,877	\$14,827,000	\$6,500,000	\$2,000,000	\$1,000,000	\$212,697,877
8.1 Market based housing sector	\$2,508,085	\$8,128,413	\$18,984,413	\$11,239,691	\$40,860,602	\$2,000,000	\$500,000			\$43,360,602
8.2 Housing for demobilized Russian soldiers		\$4,285,460	\$143,116,342		\$147,401,802					\$147,401,802
8.3 Land markets						\$12,500,000	\$4,750,000	\$2,000,000	\$1,000,000	\$20,250,000
8.4 Program administration	\$65,889	\$244,460	\$747,314	\$50,810	\$1,108,473	\$327,000	\$250,000			\$1,685,473
Proj. 0009 - Economic Restructuring	\$1,500,000	\$15,360,866	\$17,222,197	\$10,865,372	\$44,948,455	\$22,550,000	\$12,400,000	\$7,400,000	\$0	\$87,298,455
9.1 Fiscal reform	\$1,500,000	\$7,766,000	\$12,420,500	\$6,080,455	\$27,766,955	\$5,900,000	\$5,000,000	\$4,000,000		\$42,666,955
9.2 Financial sector reform		\$5,282,968	\$2,000,000	\$3,250,419	\$10,633,387	\$14,250,000	\$6,000,000	\$3,000,000		\$33,783,387
9.3 Market environment		\$2,277,204	\$2,780,000	\$939,000	\$6,996,204	\$2,000,000	\$1,000,000			\$8,996,204
9.4 Program administration		\$34,714	\$21,697	\$595,498	\$661,909	\$400,000	\$400,000	\$400,000		\$1,851,909
Proj. 0010 - Eurasia Foundation		\$4,351,200	\$9,540,000	\$2,500,000	\$16,391,200	\$5,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$45,391,200
Proj. 0011 - Enterprise Funds		\$20,000,000	\$119,000,000	\$50,000,000	\$189,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$269,000,000
Proj. 0012 - NIS Exchanges and Training	\$0	\$14,213,148	\$63,092,968	\$14,128,000	\$91,434,116	\$3,000,000	\$3,200,000	\$2,200,000	\$2,200,000	\$102,034,116
12.1 Participant trading		\$14,162,812	\$36,176,762	\$13,863,000	\$64,202,574	\$2,800,000	\$3,000,000	\$2,000,000	\$2,000,000	\$74,002,574
12.2 Educational partnerships			\$26,270,720		\$26,270,720					\$26,270,720
12.3 Program Administration		\$50,336	\$645,486	\$265,000	\$960,822	\$200,000	\$200,000	\$200,000	\$200,000	\$1,760,822
Proj. 0013 Energy/Environment Commodity Import Program -- Not included here										

Mission Table 3
USAID Russia Program
Obligations by Project by Fiscal Year
Actual and Planned

	FY 92	FY 93	FY 94	FY 95	LOP To date	FY 96	FY 97	FY 98	FY 99	Planned Total LOP
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Mission Table 3 A
USAID Russia Program
Obligations by Project by Fiscal Year
Actual and Planned
In Percent of Total

	FY 92	FY 93	FY 94	FY 95	LOP To date	FY 96	FY 97	FY 98	FY 99	Planned Total LOP
Total for All Projects (not including 0013)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Proj. 0001 - Special Initiatives	26%	5%	0%	2%	3%	1%	1%	2%	24%	3%
1.1 Emergency and humanitarian	20%	4%	0%	1%	2%	0%	0%	0%	0%	0%
1.2 Technical support and PD&S	0%	0%	0%	0%	0%	1%	1%	2%	3%	1%
1.3 Cross-sectoral programs	6%	0%	0%	0%	0%	0%	0%	0%	21%	1%
Proj. 0002 - Energy	40%	10%	4%	5%	7%	5%	5%	3%	0%	7%
2.1 Pricing and national policy	2%	0%	0%	0%	0%	1%	0%	0%	0%	0%
2.2 District heating and energy efficiency	0%	0%	1%	1%	1%	0%	0%	0%	0%	0%
2.3 Energy subsector restructuring	1%	3%	3%	4%	3%	3%	5%	3%	0%	3%
2.4 Nuclear power safety	37%	4%	0%	0%	3%	0%	0%	0%	0%	0%
2.5 Regional trade and international markets	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%
2.9 Program administration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Proj. 0003 - Environment	0%	2%	4%	9%	5%	3%	6%	4%	5%	5%
3.1 Environmental policy and institution-building	0%	0%	0%	1%	0%	1%	3%	3%	3%	1%
3.2 Preventing health risks from pollution	0%	2%	3%	3%	3%	1%	1%	0%	0%	2%
3.3 Public awareness and env. accountability	0%	0%	0%	1%	0%	1%	1%	1%	2%	0%
3.5 Natural resource management	0%	0%	1%	3%	1%	0%	2%	0%	0%	1%
3.8 Program administration	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%
Proj. 0004 - Health	10%	2%	5%	9%	6%	13%	5%	4%	4%	6%
4.1 Medical partnerships	6%	0%	2%	1%	2%	3%	3%	2%	3%	2%
4.2 Vaccine and pharmaceutical security	4%	1%	1%	4%	1%	8%	0%	0%	0%	2%
4.3 Health monitoring	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
4.4 Health care financing/service delivery reform	0%	1%	2%	1%	2%	2%	2%	1%	0%	2%
4.5 Womens' Reproductive Health	0%	0%	0%	2%	1%	0%	0%	0%	0%	0%
4.6 Program administration	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%
Proj. 0005 - Private Sector	12%	37%	30%	36%	32%	23%	22%	16%	6%	29%
5.1 Privatization	4%	17%	4%	2%	6%	0%	0%	0%	0%	5%
5.2 Land markets	0%	1%	4%	9%	4%	0%	0%	0%	0%	3%
5.3 Capital markets	0%	3%	6%	7%	5%	5%	3%	3%	0%	5%
5.4 Public education	0%	0%	2%	3%	2%	0%	0%	0%	0%	1%
5.5 Post privatization	1%	3%	5%	1%	4%	2%	1%	1%	0%	3%
5.6 Policy, legal and regulatory reform	0%	6%	1%	5%	3%	2%	3%	1%	0%	3%
5.7 New and Small business	1%	4%	7%	9%	7%	12%	12%	8%	4%	7%
5.8 Trade and investment	6%	1%	0%	0%	1%	0%	0%	0%	0%	1%
5.9 Program administration	0%	1%	1%	1%	1%	1%	2%	2%	2%	1%
Proj. 0006 - Food Systems Restructuring	2%	10%	3%	0%	3%	0%	0%	0%	0%	3%

Mission Table 3
USAID Russia Program
Obligations by Project by Fiscal Year
Actual and Planned

	FY 92	FY 93	FY 94	FY 95	LOP To date	FY 96	FY 97	FY 98	FY 99	Planned Total LOP
6.1 Storage systems	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
6.2 Marketing efficiency	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
6.3 Agribusiness partnership	0%	9%	1%	0%	2%	0%	0%	0%	0%	2%
6.4 Market oriented farm support	0%	0%	1%	0%	1%	0%	0%	0%	0%	1%
6.5 Program administration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Proj. 0007 - Democratic Reform	5%	7%	5%	8%	6%	11%	11%	13%	10%	7%
7.1 Political process	3%	1%	1%	1%	1%	2%	0%	0%	0%	1%
7.2 Rule of law	1%	3%	1%	2%	1%	4%	3%	4%	2%	2%
7.3 Public administration/local government	0%	2%	1%	1%	1%	1%	3%	4%	3%	1%
7.4 Civil society	0%	0%	2%	2%	1%	2%	2%	4%	3%	2%
7.5 Independent media	1%	1%	1%	2%	1%	3%	2%	1%	0%	1%
7.6 Program administration	0%	0%	0%	0%	0%	0%	0%	1%	1%	0%
Proj. 0008 - Housing	3%	5%	21%	4%	14%	10%	5%	3%	2%	12%
8.1 Market based housing sector	3%	3%	2%	4%	3%	1%	0%	0%	0%	2%
8.2 Housing for demobilized Russian soldiers	0%	2%	19%	0%	11%	0%	0%	0%	0%	8%
8.3 Land markets	0%	0%	0%	0%	0%	8%	5%	3%	2%	1%
8.4 Program administration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Proj. 0009 - Economic Restructuring	2%	6%	2%	4%	3%	15%	12%	11%	0%	5%
9.1 Fiscal reform	2%	3%	2%	2%	2%	4%	5%	6%	0%	2%
9.2 Financial sector reform	0%	2%	0%	1%	1%	10%	6%	4%	0%	2%
9.3 Market environment	0%	1%	0%	0%	0%	1%	1%	0%	0%	1%
9.4 Program administration	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%
Proj. 0010 - Eurasia Foundation	0%	2%	1%	1%	1%	3%	8%	12%	13%	3%
Proj. 0011 - Enterprise Funds	0%	8%	16%	18%	14%	14%	20%	29%	32%	15%
Proj. 0012 - NIS Exchanges and Training	0%	6%	8%	5%	7%	2%	3%	3%	4%	6%
12.1 Participant trading	0%	6%	5%	5%	5%	2%	3%	3%	3%	4%
12.2 Educational partnerships	0%	0%	3%	0%	2%	0%	0%	0%	0%	1%
12.3 Program Administration	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

**Mission Table 4.
USAID Russia**

Life of Objective Funding

	FY 92	FY 93	FY 94	FY 95	Total to Date	FY 96	FY 97	FY 98	FY 99	Total Actual and Planned
Strategic Goal 1: The transition to a market economy	\$50,166,464	\$181,088,346	\$442,329,105	\$192,161,642	\$865,745,557	\$180,179,000	\$67,620,000	\$45,220,000	\$27,820,000	\$1,106,584,557
SO 1.1 Increased transfer of state-owned assets to the private sector	\$3,584,312	\$40,633,249	\$30,875,834	\$4,500,000	\$79,593,395					\$79,593,395
SO 1.2 Tax system reformed to correspond to decentralized market economy	\$1,500,000	\$7,788,200	\$12,430,500	\$6,209,631	\$27,928,331	\$9,900,000	\$6,750,000	\$5,000,000		\$49,578,331
SO 1.3 Accelerated development and growth of private enterprises	\$11,318,758	\$76,881,577	\$202,107,598	\$91,444,465	\$381,752,398	\$56,302,000	\$43,770,000	\$31,720,000	\$26,720,000	\$540,264,398
SO 1.4 A robust and market-supportive financial sector		\$32,621,608	\$167,932,163	\$74,762,322	\$275,316,093	\$26,650,000	\$11,900,000	\$6,400,000	\$1,000,000	\$321,266,093
SO 1.5 A more economically and environmentally sound energy system	\$33,763,394	\$23,163,712	\$28,983,010	\$15,245,224	\$101,155,340	\$7,327,000	\$5,200,000	\$2,100,000	\$100,000	\$115,882,340
Strategic Goal 2: Democratic Pluralism	\$4,115,887	\$19,615,140	\$45,592,614	\$24,008,742	\$93,332,383	\$20,500,000	\$17,180,000	\$14,930,000	\$12,430,000	\$158,372,383
SO 2.1 Increased, better informed citizens' participation in economic and political d	\$3,654,375	\$8,577,167	\$33,430,572	\$16,670,336	\$62,332,450	\$13,150,000	\$10,680,000	\$9,580,000	\$8,580,000	\$104,322,450
SO 2.2 Legal systems that better support democratic processes and market refor	\$461,512	\$6,215,513	\$4,024,722	\$4,863,018	\$15,564,765	\$5,750,000	\$3,500,000	\$2,850,000	\$1,850,000	\$29,514,765
SO 2.3 More effective, responsive and accountable local government in selected cities		\$4,822,460	\$8,137,320	\$2,475,388	\$15,435,168	\$1,600,000	\$3,000,000	\$2,500,000	\$2,000,000	\$24,535,168
Strategic Goal 3: Social Transition	\$6,218,231	\$11,141,346	\$57,857,963	\$30,539,854	\$105,757,294	\$10,850,000	\$9,400,000	\$5,200,000	\$4,500,000	\$135,707,294
SO 3.2 Improved sustainability of social benefits and services	\$6,218,231	\$5,681,978	\$33,598,075	\$18,123,235	\$63,621,519	\$7,350,000	\$5,500,000	\$3,000,000	\$2,300,000	\$81,771,519
SO 3.3 Increased capacity to deal with environmental pollution as a threat to public health		\$5,459,368	\$24,259,788	\$12,416,619	\$42,135,775	\$3,500,000	\$3,900,000	\$2,200,000	\$2,200,000	\$53,935,775
SAA 4: Supplementary programs	\$24,829,818	\$32,859,083	\$222,413,128	\$36,566,890	\$316,668,919	\$15,652,000	\$6,200,000	\$3,650,000	\$17,250,000	\$359,420,919
TOTAL PROGRAM	\$85,330,400	\$244,703,915	\$768,192,710	\$283,277,128	\$1,381,504,153	\$147,181,000	\$100,400,000	\$68,000,000	\$62,000,000	\$1,760,085,153

Mission Table 4.
USAID Russia

Life of Objective Funding

	FY 92	FY 93	FY 94	FY 95	Date to	FY 96	FY 97	FY 98	FY 99	Total Actual and Planned
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As percent of total

SO 1.1	4%	17%	4%	2%	6%	0%	0%	0%	0%	5%
SO 1.2	2%	3%	2%	2%	7%	7%	7%	7%	7%	3%
SO 1.3	13%	31%	26%	32%	28%	38%	44%	46%	43%	31%
SO 1.4	0%	13%	22%	26%	20%	18%	12%	9%	2%	18%
SO 1.5	40%	9%	4%	5%	7%	5%	5%	3%	0%	7%
Strategic Goal 2: Democratic Pluralism	5%	8%	6%	8%	7%	14%	17%	22%	20%	9%
SO 2.1	4%	4%	1%	6%	5%	9%	11%	14%	14%	6%
SO 2.2	1%	3%	1%	2%	1%	4%	3%	4%	3%	2%
SO 2.3	0%	2%	1%	1%	1%	1%	3%	4%	3%	1%
Strategic Goal 3: Social Transition	7%	5%	8%	11%	8%	7%	9%	8%	7%	8%
SO 3.2	7%	2%	4%	6%	5%	5%	4%	4%	4%	5%
SO 3.3	0%	2%	3%	4%	3%	2%	4%	3%	4%	3%
SAA 4: Supplementary programs	29%	13%	29%	13%	23%	11%	6%	5%	28%	20%
TOTAL PROGRAM	100%									

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**Mission Table 4.
USAID Russia**

Life of Objective Funding

	FY 92	FY 93	FY 94	FY 95	Total to Date	FY 96	FY 97	FY 98	FY 99	Total Actual and Planned
Percent by year of obligation										
Strategic Goal 1: The transition to a market economy	5%	16%	40%	17%	78%	9%	6%	4%	3%	100%
SO 1.1 Increased transfer of state-owned assets to the private sector	5%	51%	39%	6%	100%	0%	0%	0%	0%	100%
SO 1.2 Tax system reformed to correspond to decentralized market economy	3%	16%	25%	13%	56%	20%	14%	10%	0%	100%
SO 1.3 Accelerated development and growth of private enterprises	2%	14%	37%	17%	71%	10%	8%	6%	5%	100%
SO 1.4 A robust and market-supportive financial sector	0%	10%	52%	23%	86%	8%	4%	2%	0%	100%
SO 1.5 A more economically and environmentally sound energy system	29%	20%	25%	13%	87%	6%	4%	2%	0%	100%
Strategic Goal 2: Democratic Pluralism	3%	12%	28%	15%	59%	13%	11%	9%	8%	100%
SO 2.1 Increased, better informed citizens' participation in economic and political d	4%	8%	32%	16%	60%	13%	10%	9%	8%	100%
SO 2.2 Legal systems that better support democratic processes and market refor	2%	21%	14%	16%	53%	19%	12%	10%	6%	100%
SO 2.3 More effective, responsive and accountable local government in selected ci	0%	20%	33%	10%	63%	7%	12%	10%	8%	100%
Strategic Goal 3: Social Transition	5%	8%	43%	23%	78%	8%	7%	4%	3%	100%
SO 3.2 Improved sustainability of social benefits and services	8%	7%	41%	22%	78%	9%	7%	4%	3%	100%
SO 3.3 Increased capacity to deal with environmental pollution as a threat to public	0%	10%	45%	23%	78%	6%	7%	4%	4%	100%
SAA 4: Supplementary programs	7%	9%	62%	10%	88%	4%	2%	1%	5%	100%
TOTAL PROGRAM	5%	14%	44%	16%	78%	8%	6%	4%	4%	100%

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Annex 1
ALL RESOURCES TABLE
USAID/ _____
(\$000)

Funding Category	FY 1996	FY 1997**	FY 1998	
			Base***	Base - 10%
FSA				
Economic Growth				
Of which: Field Support (INCLUDES ENI SOS 1.1 TO 1.5 and part of SO 4.1)	\$79,480	\$45,900	\$23,950	\$18,450
Population/Health				
Of which: Field Support (INCLUDES ENI SO 3.2 and part of SO 4.1)	\$18,501	\$5,500	\$3,000	\$2,800
Environment				
Of which: Field Support (INCLUDES ENI SO 3.3 and part of SO 4.1)	\$4,000	\$5,900	\$2,200	\$2,200
Democracy				
Of which: Field Support (INCLUDES ENI SOS 2.1 to 2.3)	\$20,200	\$15,100	\$11,850	\$9,350
Humanitarian Assistance/Transition				
Of which: Field Support (INCLUDES ENI SOS 3.1)	0	0	0	0
GRAND TOTAL	\$122,181	\$72,400	\$41,000	\$32,800

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**Annex 3
GLOBAL FIELD SUPPORT**

Mission: Strategic Objective	Field Support: Activity Number & Title	Priority *	Duration	Estimated Funding (\$000)							
				FY 1996**		FY 1997***		FY 1998			
				Obligated by *****:		Obligated by *****:		Base**** Obligated by *****:		Base-20% Obligated by *****:	
				Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit
1.3	RFA G/EG/MD-96-A-001 Microenterprise Innovatio	medium	FY96-99	\$1-3.5 million		0		0		0	
1.3	Global Bureau Loan Guarantee Fund	low	TBD	TBD							
NET/All SOs	Training RFP - Op/RFP/AF/A0601	High	FY96-99	\$1.1 million		\$3 million		\$2 million		\$2 million	
2.3	Sustainable Cities	Medium	TBD	TBD		TBD		TBD		TBD	
3.2	Health Care	Medium	TBD								
GRAND TOTAL				\$1 - 3.5	\$1.1 MILLION	\$3 million		\$2 million		\$2 million	

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* For Priorities use high, medium-high, medium, medium-low, low
 ** For FY 1996, use operating bureau budget allocations based on the FY 1996 Appropriations Act, in the case of PL480, use appropriations from the Agriculture Appropriations Act.
 *** For FY 1997, use operating bureau allocations based on the FY 1997 OMB passback level.
 **** Base is defined as operating bureau allocations based on the FY 1997 passback level.
 ***** If the funding source is unknown, show all the funding as Obligated by Global Bureau.

SO 1.2**Tax system reformed to correspond to a decentralized economy**

Life of Objective Funding To Date Projected to FY 1999	\$27,928,331 \$49,478,331
Planned Annual Obligations FY 96: FY 97: FY 98: FY 98 minus 20%: FY 99:	\$9,900,000 \$6,750,000 \$5,000,000 \$4,500,000 \$0
Development Partners	IMF, World Bank, EU, Ministry of Finance, Parliament, Local Government (six pilot cities, including St. Petersburg and Novgorod)
Cost-Sharing and Cost-Recovery	The Ministry of Finance and State Tax Service as well as the city governments provide office accommodations for many of the technical advisors.

The key results sought with the financing for FY 97 and FY 98 requested for this SO are IR 1.2.1 (a fair and efficient tax system) and IR 1.2.2 (adequate and predictable revenue generation). The resource request for FY 97 and FY 98 is \$11.75 million.

USAID has already taken steps to assure better coordination and integration of support for tax reform efforts by entering into a Cooperative Agreement with the Harvard Institute for International Development (HIID). This Agreement will continue into FY 98. HIID will work with technical advisors from the U.S. Department of Treasury, KPMG/Barents Group, and CFED as well as with various public and private Russian entities. CFED will head up the effort at the municipal level on property tax issues, bringing work to an end in FY 98-FY 99.

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Leadership in the Russian Government will be with the Ministry of Finance and the State Tax Service at the national level and with the six pilot city governments working specifically on the issue of property tax. Russian expertise in the Institute for Law-Based Economy as well as in the Russian Privatization Center will also be involved as appropriate.

Coordination with the IMF and the World Bank is essential as both organizations are providing technical assistance and support to the Ministry of Finance and the State Tax Service.

USAID's support will emphasize legal drafting, policy analysis, technical analysis (as in revenue estimating, taxpayer model development), and training. Training in Russia will involve both formal training of individuals carrying out professional roles in the State Tax Service and the Ministry of Finance as well as workshops and seminars on specific topics in the regions and cities. U.S.-based training at the Internal Revenue Service will continue to the extent that funding is available.

Improvements in tax administration procedures represent a critical element of tax reform in Russia. USAID support will develop proposals to revise administrative practices in a number of functional areas, especially in collection of arrears and the internal appeals process.

Consequences of 20% Budget Reduction in FY 98

This SO has been largely "protected" from a 20 percent reduction in FY 98 as this is a high priority for USAID support. Only \$500,000 has been shaved off the \$5 million proposed budget to meet the reduced budget mark.

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SO 1.3

Accelerated Development and Growth of Private Enterprise

<p>Life of Objective Funding: To Date: Projected to FY 1999:</p>	<p>\$381,752,398 \$540,264,398</p>
<p>Planned Annual Obligations: FY 96: FY 97: FY 98: FY 98 minus 20%: FY 99:</p>	<p>\$56,302,000 (\$34,602,000) \$43,770,000 (\$21,050,000) \$31,720,000 (\$9,000,000) \$29,220,000 (\$6,500,000) \$26,720,000 (\$4,000,000) Note: Parentheses indicate USAID discretionary funding only.</p>
<p>Development Partners:</p>	<p>IMF, World Bank, EU/TACIS, British Know-How Fund, German Government, Canadian Government, Japanese Government</p> <p>Ministry of Finance, Presidency, Parliament, Ministry of Economy</p> <p>U.S. PVOs, nonprofits, universities; U.S. commercial contractors</p> <p>Russian nonprofits</p>

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<p>Cost-Sharing and Cost-Recovery:</p>	<p>The participation of the Government entities in both federal and local governments has often involved the provision of office space for technical assistance teams as well as time of staff to work on the joint activities. U.S. PVOs have provided volunteers on <i>pro bono</i> basis and have often arranged for in-kind contributions or financing from private U.S. sources. Fees for some training services have been instituted when the implementing entity is a registered Russian nonprofit.</p>
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The total resource request for FY 97 and FY 98 for SO 1.3 is just over \$75 million or about 45 percent of the resources requested for the entire Russia program if the non-discretionary levels for TUSRIF and the Eurasia Foundation are taken into account. If only USAID discretionary funding is included, the resource request drops to about \$30 million. Because the program is so large, it is easier to grasp the request and program plans at the level of expected Intermediate Results. Because the TUSRIF and Eurasia allocations are made without consultation with USAID, these are not discussed.

IR 1.3.1 *Policies, legislation and regulations conducive to broad-based competition and private sector growth adopted*

Approximately \$7.5 million is requested by USAID/Russia for this Intermediate Result for the FY 97-FY 98 period.⁶

The proposed level of USAID funding will assure that legal drafting work in a number of areas continues to benefit from U.S. and international expertise in developing appropriate legal and regulatory frameworks for the management of a market economy. The Legal Reform Project will oversee many of these efforts,

⁶ These numbers are approximate as they do not include program management costs or design/evaluation costs associated with the SO as a whole.

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working with the Russian Institute for Law-Based Economy and other private or quasi-private institutes, as well as with the Parliament. There are currently nine working groups operating under the Legal Reform Project (under the guidance of experts from the Harvard Institute of International Development). These groups deal with: legal entities, land and real estate, business forms, taxation and accounting (see SO 1.2), financial instruments, bank and payment systems (cf. SO 1.4), civil code (dealing with implementing legislation and regulations), international economic laws. The HIID Project staff will coordinate closely with USAID-funded technical advisors in other areas, some of whom work under the aegis of the Russia Privatization Center, and with technical advisors funded by other donors, e.g., the World Bank.

Other issues which will be addressed are: environmental regulations and privatization, anti-monopoly, and competition policies. Broader analytical and advisory support for the development of environmental policies to deal with environmental liabilities in the sale of privatized enterprises is currently included in the budget for SO 3.3.

IR 1.3.2 *Successful models of private ownership and modern management widely replicated*

\$11 million is requested for FY 97 and FY 98 to support the achievement of this IR.⁷

USAID's post-privatization strategy for medium- and large-scale Russian companies in FY 95 was to (1) provide firm-level restructuring assistance for a few potential demonstration companies and (2) focus on building up Russian consulting capacity so that it will be available to continue the process. There are an estimated 25,000 medium to large-scale privatized enterprises who are likely to need one or more of four types of assistance: marketing analysis/training; production analysis and retooling; financial analysis for strategic planning and for cost-management; and human resource development analysis and training.

Russian business consulting and management capacity has been consistently improving through the hands-on training provided through such USAID-funded programs as the Financial Management Activity (FMA) and the Program for Intensive Enterprise Support (PIES). In order to assure that the local consultants will continue to be able to learn and to draw on western/international experience, USAID

⁷ If funding for TUSRIF is included, on the grounds that TUSRIF investments are to demonstrate effective business operations, then the total for this IR jumps to \$51 million.

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has been discussing the increased participation of donors from other countries and organizations in support of roll-out efforts.

The Russian Privatization Center (RPC) and a network of Local Privatization Centers (LPCs) have been developed with USAID support to lead and support the enterprise restructuring process, replicating and building on the experiences of the demonstration companies to assist other companies with their own efforts. USAID prior-year funding will support the RPC/LPC network into early 1997; this resource request includes no new funds for the organization per se. USAID will continue to work actively with the organization to ensure that needed support for rolling out the demonstration models is available.

The RPC is already attracting funding from a variety of other donors, including the World Bank, the European Union's TACIS, the British Know-How Fund, the governments of Germany, Japan and Canada, and other NGO's. The British have recently taken over the operational funding of the Nizhny Novgorod LPC and the German government is funding a new LPC in the Moskovsky oblast. The governments of Canada and Japan are planning on funding specific LPCs in the near future. The World Bank is subsequently expected to take over the funding of direct technical assistance to enterprises through its Enterprise Restructuring Fund (ERF). The RPC will be managing this \$80-90 million World Bank loan program as an agent for the Government of Russia, and expects to provide 150-200 enterprises with needed consulting and training services on a full cost recovery basis. This strategy significantly enlarges enterprise restructuring efforts and will begin to have a systemic impact across Russian enterprises.

USAID's FY96 post-privatization program, therefore, winds down all of the programs for medium- to large-scale industry which were in place only one year ago. The IESC volunteer program will be funded for a last time to deliver targeted technical assistance to firms. USAID will design a new U.S. volunteer business assistance program for efficient, coordinated provision of support to the network of Russian entities providing business services under IR 1.3.4 for implementation through FY 99.

USAID will also continue to fund two HIID policy advisors through FY98 to continue the strategy dialogue with GOR on essential elements of post privatization and market reform.

Other Russian organizations in which USAID prior-year funding has played a role will support the application of models in other sectors. The Russian Institute for

Urban Economics will, for example, continue to play a role in the privatization of housing and enterprises' divestiture of their housing stocks, and the regional Agrarian Institutes will replicate the farm reorganization models through training and consulting on a demand-driven basis.

Replication of the farm reorganization and farm divestiture and restructuring models which will be developed in FY 96 and FY 97 through the MOFSA program (for which funding derives from FY 94) is expected to come from the World Bank's \$500 million Ag Sector Loan, \$250 million Regional Agricultural Development Project (RADP), and \$150 million Rural Finance Project, now in the planning stages. These projects will provide direct support to reorganized farms through the provision of working capital and an improved policy environment. Experience gained in MOFSA pilots will permit the quick start-up of the Bank's farm reorganization and agricultural lending programs and accelerate disbursements to reorganized agricultural enterprises.

USAID farm reorganization pilots will also be replicated by other external organizations. IFC funding is \$30 million to work in six oblasts through May 1997. By that time, there will be a critical mass of successfully reorganized farms (approximately 240 in 21 oblasts) where the results of farm reorganization can be easily observed, post-farm reorganization assistance can be provided efficiently, and a concentration of successfully reorganized farms can lead to greater replicability and national policy change. The training capacity of the regional Agrarian Institutes in certain oblasts, developed in FY 96, will be key to spreading the lessons from this critical mass of models to the rest of the sector.

Most of USAID's attention in FY 96 - 98, therefore, will focus on continued proliferation of models for the development of new and small business. Support for innovative programs such as the Opportunity International microincubator program, the CCI RISE Program, the University of Alaska's regional small business centers in the Russia Far East, and Eurasia Foundation's grant programs is envisioned to continue, albeit at very modest levels, through the end of USAID's program in Russia.

The U.S. Russian Investment Fund (TUSRIF) is no longer included in USAID's discretionary funding area, but it should be noted that TUSRIF's mandate fits well into this Intermediate Result. TUSRIF, through direct equity and debt investments into business entities, is expected to expand the number of well-run, restructured Russian firms. The TUSRIF budget, as noted, far outweighs the USAID allocation for this objective.

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IR 1.3.3 *Land and real estate market mechanisms operating and accessible and being used by businesses*

The resource request for this Intermediate Result for FY97 and FY98 is \$3.5 million, indicating the phaseout of this dynamic program. USAID has successfully supported legal and regulatory efforts at the national and local levels which have created the beginnings of land and real estate markets across Russia. While the markets are only beginning to operate at the grassroots, they are expected -- especially by the growing number of Russians who consider themselves professional real estate developers and realtors -- to grow rapidly as long as the policy environment continues to promote them.

The planned funding will provide minimal support in FY 97 for the Russian Institute of Urban Economics to continue to work with the systemic issues of land and housing reform and, through FY 99, will assure access to western consultants and training on specific issues.

FY96 funding will support a last round of pilot and rollout efforts in a number of areas -- mortgage development, housing reform, land use and property zoning, land registration and titling, and the development of housing technology.

USAID assistance through the Real Estate Information System (REIS) project has already prepared all five cities participating in the \$400 million World Bank Housing Program to meet all conditionalities for disbursement. The USAID-supported Enterprise Land Sales project will assist enterprises to participate in the proposed \$300 million IBRD enterprise housing divestiture project currently being appraised. To the extent feasible, USAID support will also contribute to the readiness of Russians to negotiate other loans with the World Bank:

- a \$300 million loan for water and sewer improvements is in planning stages
- a \$225 million loan for upgrading central St. Petersburg is in initial planning stage.
- a \$200 million housing finance loan is scheduled for 1997.

IR 1.3.4 *Sustainable network of business support institutions rendering services to entrepreneurs and businesses.*

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The resource request for this Intermediate Result is \$10 million for FY 97 and FY 98. The relative emphasis on this IR reflects USAID's emphasis on sustainability of impact. Over the next three to four years, USAID will consolidate advances in the supply of services which Russian organizations can offer existing or new businesses.

Funding for completing the Deloitte Touche program of support for regional business service centers (BSCs) will continue through FY 97. The BSCs have proved to be important focal points for small entrepreneurs and, increasingly, have gained in effectiveness as they have improved contacts with the local government and its small business development services, developed new joint programs with strategic partners (especially in the training area), and networked more effectively with each other.

The Business Collaboration Center, started in FY 96 as another means for intensifying linkages among various service providers, will be funded through FY 98. This new activity is expected to play a key part in disseminating information about the resources, lessons, and experience of new business development programs to other assistance providers, the Russian private sector and government entities, and U.S. firms doing business in Russia.

No new USAID monies will be added to the EBRD Small Enterprise Loan Fund after FY 96, but the BSC infrastructure and that of other micro- and small-enterprise support programs will be in place to tap these funds for regional business growth. The Morozov/SUNY training project will be funded through FY 98, though at declining levels as Morozov and its Business Training Center network develop mechanisms for self-financing. A new, more coordinated, vehicle for providing targeted volunteer business assistance from the U.S. will be developed in FY 96 and funded through FY 99.

USAID's declining direct support for micro and small business technical assistance in many cities will permit the limited funds of FY 97 and FY 98 to be directed to the sustainable supply of "second-generation" services to these entities. USAID is now seeking to establish the next logical step for entrepreneurs who have developed their ideas, gotten basic training in marketing and financial planning, and taken the first steps toward setting up their enterprises with USAID-funded assistance. This next logical step is linking the emerging businesses which have received technical support with the formal financial sector. A new microfinance program, cut from the USAID budget in FY 96 for lack of funds, is proposed for financing through FY 99 under SO 1.4. Lessons learned from the OI, UAA, and CCI programs as well as the Fund for Democracy program will be build into this new effort.

This one new initiative will help directly to address a major constraint to small business development -- the lack of access to credit and outside investment. Otherwise, USAID will focus on ensuring that financing organizations (such as the European Bank for Reconstruction and Development (EBRD) and Russian Small Business Fund) are part of the sustainable network of services available. Activities will result in linkages with Russian banks and private companies, the U.S. Russia Investment Fund (TUSRIF), Eurasia Foundation, and other foreign funds like the Swiss Fund, with the objective of establishing norms for implementation of micro-credit programs.

Some of the successful agribusiness investors have obtained or are in the process of negotiating funds through TUSRIF for expansion. As projects demonstrate their commercial viability, additional financing will be available through the Ex-Im Bank, OPIC, TDA, and EBRD.

Consequences of 20% Reduction in Funding

In the event of a 20% reduction in the program level, USAID's discretionary funding for this Strategic Objective is reduced only minimally -- by reducing the funds available for policy advisory services provided by HIID and by more rapid termination of support for the Morozov training network. Given the centrality of successful development of private enterprise to the achievement of Russia's economic transition, and the success of USAID support to date, further cuts are not advisable.

Cuts would mean that roll-out plans for models would be less likely to make an impact, leverage with the World Bank on its policy and legal work as well as on the business-oriented loan programs would be decreased, fewer lessons could be learned (e.g., from the condominium experience) and plans to increase the size of the new business information network to serve more clients would be scaled down.

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SO 1.4

A Robust and Market-Supportive Financial Sector

<p>Life of Objective Funding: To Date: Projected to FY 1999:</p>	<p>\$275,316,093 \$321,266,093</p>
<p>Planned Annual Obligations: FY 96: FY 97: FY 98: FY 98 minus 20%: FY 99:</p>	<p>\$26,250,000 \$11,500,000 \$ 6,400,000 \$ 4,200,000 \$ 1,000,000</p>
<p>Development Partners:</p>	<p>World Bank, EBRD, EU/TACIS Russian financial market institutions -- the Central Bank of Russia, Commercial banks, and the RFCSCM</p>
<p>Cost-Sharing and Cost-Recovery:</p>	<p>Office space and staff time contributions have represented some approaches to cost-sharing. Commercial banks have shared a substantial part of training costs to date. An effort will be made to recover costs of advisory services provided to private firms to the extent feasible.</p>

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The resource request for this SO is \$18.3 million for the FY 97 - FY 98 period. Only \$1 million will be requested for FY 99 to permit completion of all activities.

This modest level of funding will permit USAID to bring current programs of financial sector support to productive conclusions. USAID's resources will be directed toward:

- IR 1.4.1, the legal and regulatory framework for the financial sector, i.e., the institutionalization of the Russian Federation Commission on Securities and the Capital Markets, continued training and advisory services to the Central Bank of Russia;
- IR 1.4.2, self-sustaining institutions in the financial sector, i.e., commercial bank training and advisory services; and
- IR 1.4.3, financial markets efficiently operating, i.e., mutual funds expanding the primary markets for Russian equities, and land and real estate mortgage markets developed.

USAID will continue to work with the Ministry of Finance and other donors on the establishment of the legal framework in which financial markets function. This will involve, over the next two FYs, the provision of technical advice to financial markets institutions and the Ministry of Finance. FY 96 funding through the Financial Services Volunteer Corps will support development of legislation for bank deposit insurance and regulation of the government bond market. FY 97 funding is planned at a slightly reduced level.

In the area of banker training, the support for two self-sustaining training centers will end with FY96 funding from USAID. Support at the budgeted level of \$750,000 is critical to managing the transition to ownership and operation by Russian entities.

In 1995, USAID collaborated with the World Bank to help in moving forward its Capital Markets Development Loan for about \$87 million. Negotiations between the Government of Russia and the World Bank on this loan are expected to begin on April 4, 1996 with expected Board approval in May or June of this year. There are two high-priority areas of capital market development (new issues, mutual funds) which the World Bank loan is unable to fund because of their private sector-orientation. USAID will fund work in these areas in FY 96 and all except one, the development of mutual funds, are expected to be complete enough to be sustained without additional external funding by the end of FY 97. USAID's FY96 program

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will:

- complete the pilot project on new issues whose goal was to test and demonstrate the process of medium size companies undertaking new issues and to refine the regulatory framework relating to initial public offerings;
- complete initial pilot work to develop new investment vehicles (mutual funds, unit investment trusts) which can attract a growing number of small investors and provide badly-needed capital to companies. Provision is made in FY 97-FY98 to fund extension of these pilots and further development of the needed legal and regulatory framework; and
- update public knowledge of and confidence in the Russian capital market.

Recognizing that the Bank loan is unlikely to be operational before October, 1996, USAID will continue the institutional support (advisory services, training, and equipment) for the RFCSCM with a substantial level of financing in FY 96. The U.S. Securities and Exchange Commission is providing professional counterpart training services; the Moscow-based Resources Secretariat coordinates the advisory and training services provided by a number of U.S. firms with USAID financing. The RFCSCM has been in operation less than a year; it has had to develop its staff from scratch while, at the same time, supporting the growth of a well-regulated capital market.

The Russian Government's own financing combined with the World Bank loan are largely expected to cover the development costs of the next phase of financial and capital markets regulation and, of course, the private sector institutions associated with the market will pursue their own, growing, interests. But continued minimal USAID support for institutionalization in FY 97 will assure the RFCSCM of a minimal level of grant resources for key training and advisory services from the U.S.

The Housing Sector Reform program will focus on the rollout of the mortgage development program which is being developed with commercial banks during FY 96. While only 25 banks are engaged in the program to date, it is expected that continued assistance in this area will bring 45 banks into this market by 1998. Further, the Housing Sector Reform program will work with the Russian Association of Mortgage Banks to educate bankers more widely on mortgages and other new loan products related to growth of the sector, including construction finance mechanisms. 14 banks are now working with USAID-funded advisors to develop area and 35 banks are expected to initiate construction lending by 1998. Development work in

FY 96 and FY 97 on home improvement lending and bridge lending mechanisms should also be rolled out to 35 banks by 1998.

The micro-business finance program which will be developed in FY 96 for initial funding in FY 97 will build on the base of four small business credit activities which have already been launched as part of the New and Small Business Development program (the FDD program which trains bankers on small business lending and manages a Small Business Investment Fund; the Opportunity International and SUNY/Association of American and Russian women efforts to develop micro-business incubators and leasing programs; and some of CCI's small business program work). With the continuation of these activities and the addition of the new micro-finance activity, the emphasis will be on institutionalizing Russian counterpart organizations' capabilities to sustain lending for small businesses. The Global Bureau's Small Business Loan portfolio may also be used in this process. The addition of a stronger framework of financial institutions capable of serving small entrepreneurs' financing needs will promote continued forward progress and new business growth in Russia after USAID's departure.

Consequences of 20% Reduction in Funding

The highest priority for this Strategic Objective is to have financial markets efficiently functioning. The area that would most likely have to be sacrificed in the event of a significant budget cut would be intermediate result 1.4.2, "Financial Sector Supported by Self-Sustaining Professional Institutions". Most activities under this Strategic Objective are running down pipelines and most new funds are expected are in increasing the efficiency of the market.

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SO 1.5

A More Economically and Environmentally Sound Energy System

<p>Life of Objective Funding: To Date: Projected to FY 1999:</p>	<p>\$101,155,340 \$115,882,340</p>
<p>Planned Annual Obligations: FY 96: FY 97: FY 98: FY 98 minus 20%: FY 99:</p>	<p>\$7,327,000 \$5,200,000 \$2,100,000 \$2,100,000 \$ 100,000</p>
<p>Development Partners:</p>	<p>World Bank, EU, Ministry of Fuels and Energy, RAO EES Rossii USEA, Private investors</p>
<p>Cost-Sharing and Cost-Recovery:</p>	<p>There has been significant cost-sharing in the USEA exchanges as the regional commissioners and energy managers have covered their own travel costs as well as contributed time.</p> <p>The major JEPAS work has been a truly collaborative effort with the Government and time contributions to the joint activities have been important.</p>

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The key results sought with the financing for FY 97 and FY 98 requested for this SO are IR 1.5.1 (Market and competitive forces introduced into the power sector), IR 1.5.2 (Increased local and foreign capital investment in the energy sector) and IR 1.5.3 (Improved natural resource and environmental management techniques). The resource request for FY 97 is \$5.2 million and FY 98 is \$2.1 million.

USAID has assisted the Russian power sector and various government entities to reach consensus on restructuring the power sector. The principle element of this restructuring is the development of the competitive wholesale market for power which will continue to receive support through FY98. This support will emphasize the implementation of this market and the regulatory roles associated with pricing and tariff regimes within the market.

An experienced USAID-funded contractor (Hagler Bailly Consultants) will assist with the commercialization of independently operating generating and distribution companies. With the FY98 funding, this activity will have reached all of the RAO EES Rossii generators and 15 percent of the distribution companies. Training and investment promotion seminars (two each in FY97 and FY98) will be provided stressing the need for adopting financial reporting in accordance with international standards needed to promote investment both from local and international sources. The roll-out will continue in FY97 and 98 reaching 40 percent of the operating units. A "limited financial review" of the power sector will be completed and used in the investment promotion activities.

Improvements in energy efficiency will be supported through the Russian Energy Managers' Association which has been formed with USAID support. The Tyumen Oil and Gas Center will continue to promote investment opportunities for U.S. companies in natural resources in Russia although no additional funding is programmed.

Consequences of 20% budget Reduction in FY 98

This SO has been largely "protected" from a 20 percent reduction in FY 98 as this is a high priority for USAID support and funding is already minimal.

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Strategic Objective 2.1 Increased, better informed citizen's participation in political and economic decision-making

<p>Life of Objective Funding: To Date: Projected to FY 1999:</p>	<p>\$62,332,450 \$104,322,450</p>
<p>Planned Annual Obligations: FY 96: FY 97: FY 98: FY 98 minus 20%: FY 99:</p>	<p>\$13,150,000 (\$9,850,000) \$10,680,000 (\$5,600,000) \$9,850,000 (\$4,700,000) \$8,080,000 (\$2,800,000) \$8,580,000 (\$3,300,000)</p> <p>Note: Parentheses indicate USAID discretionary funding only.</p>
<p>Development Partners:</p>	<p>Canadian Government, SOROS, British Know-How Fund, EU/TACIS</p> <p>Eurasia Foundation, U.S. PVOs</p> <p>Thousands of Russian NGOs, 70 independent television stations,</p>
<p>Cost-Sharing and Cost-Recovery:</p>	<p>The charging of fees for training services has become fairly widespread as a means of attaining more financial self-sustainability. U.S. PVOs in some cases provide some cost-sharing on the programs themselves.</p>

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The resource request for this SO from USAID "discretionary" funds is \$5.6 million in FY 97 and \$4.7 million in FY 98. Assuming that 66 percent of the Eurasia Foundation budget is used in ways which contribute to the achievement of this SO, the funding in support of this objective is more than doubled.

USAID support for the electoral process (IR 2.1.1) will be terminated with the FY 96 funding. Only a small grant program with the Moscow School of Political Studies will be maintained into FY 97 - 99, to institutionalize its capacity to provide advisory and training services related to democratic elections.

Two points of program focus will be supported in FY 97 and FY 98: continued development of independent media (IR 2.1.2) and continued strengthening of the capacity of the nongovernmental community to grow and serve the needs of Russia's citizens (IR 2.1.3). USAID's emphasis will be less on providing grants to new NGOs to launch themselves (although Eurasia is likely to continue this) and more on developing the NGO community as a sustainable, informed, and capable community. Emphasis will be on skills development, communication, and effective participation in the economic and political reform processes.

Consequences of 20% Reduction in Funding

If a 20% budget cut was applied to this SO, FY 98 funding for the independent media program would be dropped. As IR 2.1.3, "NGO sector provides alternative to the "ballot box" for participating in economic and political decision making" is the highest priority of this Strategic Objective Team, the proposed level is not reduced.

SO 2.2

Democratic systems that better support democratic processes and market reforms

Life of Objective Funding: To Date: Projected to FY 1999:	\$15,564,765 \$29,514,765
Planned Annual Obligations: FY 96: FY 97: FY 98: FY 98 minus 20%: FY 99:	\$5,750,000 \$3,500,000 \$2,850,000 \$2,000,000 \$1,850,000
Development Partners:	Canadian Government, SOROS, British Know- How Fund, EU/TACIS Judiciary system, Law academies U.S. Dept. of Justice, FBI
Cost-Sharing and Cost- Recovery:	

The resource request for this SO is \$3.5 million in FY 97 and \$2.85 million in FY 98. Emphasis is on the rule of law (through a vehicle to be designed in FY 96 and early FY 97), or IR 2.2.2 and on continued support to the labor law centers managed by the Free Trade Union Institute (FTUI), IR 2.2.4.

The rule of law program will be developed in close consultation with that being supported with the World Bank loan expected to be negotiated in summer, 1996. USAID has been actively supporting the preparation of this loan to ensure that institutional developments begun with USAID support (e.g., some development of law schools, professional development) are continued. The rule of law work which is directly related to economic reforms is discussed under SO 1.3 above. This will be managed in an integrated fashion with activities implemented as part of this SO.

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Consequences of 20% Reduction in Funding

In the event of a 20 percent reduction in FY 98 funding, the level of financing for the rule of law activity would be trimmed, making the life-of-project funding \$5 million rather than \$5.5 million.

SO 2.3 More effective, responsive and accountable local government (LG) in selected cities

Life of Objective Funding: To Date: Projected to FY 1999:	\$15,435,168 \$24,535,168
Planned Annual Obligations: FY 96: FY 97: FY 98: FY 98 minus 20%: FY 99:	\$1,600,000 \$3,000,000 \$2,500,000 \$2,000,000 \$2,000,000
Development Partners:	EU, Canadian Government Government and citizens of six pilot cities
Cost-Sharing and Cost-Recovery:	

The resource request for this SO for FY 97 and FY 98 is \$5.5 million. This will permit USAID/Russia to design a new, integrated activity ("the local government initiative") which will address all three of the IRs associated with this SO.

The Mission is proposing to reallocate some FY 96 funding in this SO to increase the level of resources for broadening and deepening its efforts to promote governmental decentralization and democratization at the municipal level by repackaging current activities into a new "local government initiative." The expanded two year program, with funding proposed at \$5.5 million, represents a major shift in approach from predecessor programs -- the MFM and NDI-led civic initiatives work. The new program will stress increasing the effectiveness of community organizations and NGO's in local government decision making and, *at the same time*, improving the ability of local governments to deliver essential urban services and infrastructure to their residents.

It will build on a new law on local government enacted in August, 1995. The

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program will have several components:

- **civic participation in local government**, which will provide training and technical assistance to community groups and NGO's and to cities in opening up their governmental decision making process to increased citizen inputs.
- **new Duma leadership**, which will provide technical assistance and training to newly elected municipal Duma members to enhance their ability to make informed decisions;
- **assistance to local government institutions defining and implementing decentralization policies**, including assistance to the newly created Council on Local Government and to the national and regional unions of Russian cities; and
- **strategic technical assistance to municipalities and institutionalization**, which will focus on improving the capacity of municipalities to deliver essential urban services and provide improved urban infrastructure based upon practices and delivery models already developed under other AID projects.

Achievement of this SO will help leverage over \$1.1 billion in proposed IBRD loans, including:

- \$300 million loan for water and sewer systems upgrading/rehabilitation, currently in planning stages.
- \$300 million loan for enterprise housing divestiture and residential energy efficiency, currently being appraised.
- \$225 million loan for the development of downtown St. Petersburg, to be appraised in two stages beginning in early 1996.
- Proposed \$300 million loan to improve district heating plants in 1997-98.

Consequences of 20% Reduction in Funding

In the event of a budget cut, the new initiative life-of-project funding would be trimmed by \$500,000 to \$5 million. Within this activity, the lowest priorities are improvement of training and extension capabilities and work on the supportive policy/legal framework.

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SO 3.2 Improved Effectiveness of Selected Social Benefits and Services

Life of Objective Funding: To Date: Projected to FY 1999:	\$63,621,519 \$81,774,519
Planned Annual Obligations: FY 96: FY 97: FY 98: FY 98 minus 20%: FY 99:	\$7,350,000 \$5,500,000 \$3,000,000 \$2,800,000 \$2,300,000
Development Partners:	Ministry of Health, Russian Duma local governments, local health facilities Ministry of Agriculture, oblast/raion administrations, Agrarian Institutes, farms
Cost-Sharing and Cost-Recovery:	Cost-sharing by participating local governments and local facilities has been largely in-kind. Training is increasingly fee-based in the agricultural sector.

The resource request for this SO is \$5.5 million in FY 97 and \$3 million in FY 98. This request is for the health sector only, as all housing and agricultural activities which contribute to this objective were fully-funded in prior years.

IR 3.2.1 *Policies, laws and regulations approved*

Creation of a new policy and legal framework is required to restructure the Russian health system so that diverse health care providers can operate effectively within a system that provides basic incentives and controls on the quality of drugs and services. USAID has supported and will continue to support the development of these new laws and regulations by providing technical assistance which will permit alternatives and options to be understood and will provide draft legislation and

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regulations for consideration. More direct support for national policy development begun in FY 95 will be continued in FY 96 - 98. It will be funded as part of an integrated package of activities to draw the lessons of local experience with reform up to the national level, develop additional options (or models) for health care reform in Russia, and contribute to the design and testing of these options as viable policy elements for the future. This integrated effort is budgeted at \$5.5 million for the FY 96-98 period.

IR 3.2.3 *New approaches to service delivery adopted*

Over the next two years, therefore, USAID will gradually phase out most ongoing health assistance programs while concentrating its efforts in disseminating completed models of successful new approaches as broadly as possible. The all-important dissemination activity will begin in FY 96 as successful models of primary care delivery, total quality management, and service delivery system reorganization (using improved financial data) are completed.

It is expected that the changes introduced in Siberia will be institutionalized in those regions. To the extent that external resources are needed to assure that, funding will be sought either within the integrated program or within the AIHA Medical Partnerships program.

IR 3.2.3 *New approaches of resource allocation and alternative financing for service delivery adopted*

Development and testing of additional models, especially in the area of health care governance structures, will be needed in FY 97 and FY 98. It would be highly desirable for USAID to fund these pilots with FY 97-99 funding, but resources are likely to be very limited and other resources will need to be found. The largest portion of USAID funding in final years will be focussed on dissemination activities such as workshops, conferences, seminars, etc. and to targeted training.

The AIHA Medical Partnerships Program, funded at the \$6.5 million level between FY 96 and FY 99, will be modified to the extent possible to support this effort as Congressional earmarks and mandates have assured a higher level of funding for this program than would have otherwise been the case. Since the partnership mechanism is fairly flexible and the institutional relationships created indicate a degree of willingness to take on new ideas and approaches.

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Contributing to this same IR in other sectors:

Under the recently-contracted Market-Oriented Farm Support activity, USAID will fund the testing and adoption of new methods to assure the sustainable provision of rural social services, improved input delivery, output processing and marketing, and enhanced access to credit for private farms and enterprises created from the reorganization of state farms and collectives. The MOFSA activity was originally budgeted at \$20 million, and was reduced to \$10 million, with no further funding required. The Farm Reorganization (see also SO 1.3) is also developing similar systems for rural service delivery mechanisms.

Finally, USAID will continue to support and monitor the means test housing subsidy activity. In this activity pensioners and others on fixed income are given means tests and if they qualify, are given rent subsidies for rising rents. This program is now effective in 90% of Russian cities and USAID will continue to work through the Urban Institute to ensure its success.

Consequences of 20% Reduction in Funding

Administrative costs are trimmed by \$200,000 to meet a 20 percent reduction in the Mission discretionary level in FY 98.

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SO 3.3

Increased capacity to deal with environmental pollution as a threat to public health

<p>Life of Objective Funding: To D at e: Projected to FY 1999:</p>	<p>\$42,135,775 \$53,935,775</p>
<p>Planned Annual Obligations: FY 96: FY 97: FY 98: FY 98 minus 20%: FY 99:</p>	<p>\$3,500,000 \$3,900,000 \$2,200,000 \$2,200,000 \$2,200,000</p>
<p>Development Partners:</p>	<p>World Bank, Ministry of Environmental Protection and Natural Resources Regional governments in the Russian Far East and Siberia NGOs, World Wildlife Fund</p>
<p>Cost-Sharing and Cost-Recovery:</p>	

The resource request for this SO is \$6.1 million for the FY 97 and FY 98 period. The key activity and IR to be funded is one focussed on the dissemination of information on policy alternatives and the results of models developed and tested in FY 94-FY 96 with prior year funding. A small amount of funding to the program managed by CH2MHill will complete development of pollution management models.

IR 3.3.1 *Lessons learned from pilot projects, training and demonstrations disseminated to other regions in Russia*

Russia is attempting to address its extremely severe environmental problems, but

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faces powerful obstacles which include: insufficient financial resources; lack of a coherent and effective legal, regulatory and operational framework needed to promulgate and enforce good environmental practices; lack of an incentive system to promote environmental investment; lack of public awareness and involvement in environmental decision-making; fragmentation and poor coordination among agencies responsible for oversight of environmental issues and unreliable data, which impedes good environmental planning and policy making.

USAID's overall approach in this sector, therefore, has been to introduce new (for Russia) technologies and methods for reduction of pollution and to promote sustainable economic development which does not lead to the loss of irreplaceable natural resources. The U.S. Environmental Protection Agency has been taking the lead on water and air pollution management models in Volgograd, Nizhny Tagil, and Moscow. CH2MHill, working with a consortium of other organizations, is addressing both water and air pollution in Novokuznetsk and with natural resource management in several locations in the Russian Far East. Because the problems are enormous and USAID resources small, USAID's approach is to promote key policy change at the national and territorial level and to create successful models of pollution control and natural resources management in a few pilot regions, which will be aggressively promoted nationwide.

HIID has already begun work with the Federal Government on the modification of environmental laws, regulations and policies conducive to sustainable economic development and is assisting in the development of an incentive system to encourage environmental investment and discourage pollution and promote the adoption of new policies stemming from key results of USAID project models for improving the environment. No additional new funding for HIID policy work is planned.

However, an additional \$7 million in new obligations over the FY 96-FY 98 period will be used to support widespread dissemination of new policies, laws and regulations as well as successful new models of pollution control and natural resource management developed through other elements of the project. The Minister of Environmental Protection and Natural Resources (MEPNR) has committed his ministry to undertake the lead role in the dissemination process, working both at the federal level and through territorial and municipal environment departments of government. USAID will be working closely with the MEPNR and other Russian agencies over the next year to design a dissemination strategy, which will include support for preparation of studies, manuals, data sets and other relevant informational materials as well as workshops, seminars, training sessions and other vehicles through which dissemination activities will take place. Over 300 Russian

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environmental specialists and policy makers have thus far received U.S.-based training on everything from new methods of risk assessment and pollution control to environmental business development.

USAID support for environment activities will be rapidly downsized in FY 96 from previous levels, with only modest funding provided to complete working models and to begin dissemination of results. No new funding is anticipated in FY 97 or 98 for anything except continuing dissemination activities. By the end of FY 98, it is anticipated that USAID will be out of the sector entirely, with EPA continuing to represent U.S. interests through its ongoing Memorandum of Understanding with the Russian government on environmental scientific cooperation, but with virtually no resources to support technical assistance.

Another important consideration is the extent to which USAID will be able to leverage and ultimately "hand off" key activities to other donors. In the environment sector, the only significant donor working in areas relevant to USAID objectives is the IBRD, which has just recently begun implementation of a new \$110 Million loan for a variety of activities, including policy and water quality management, two areas where USAID is also providing assistance. The EU provides substantial support for nuclear safety and energy efficiency, which has positive environmental effects, but does not provide direct technical support for work in the environment sector. USAID is working closely with the IBRD to ensure that the Bank's and USAID's activities complement rather than duplicate each other. However, the IBRD's functional and geographic scope for its new project is narrow and does not include important areas where USAID is providing assistance. In addition, full Government commitment to the project is uncertain and significant project implementation problems continue.

Consequences of a 20% Budget Cut

No cut is proposed.

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PART IV. STATUS OF THE MANAGEMENT CONTRACT

A. Special Issues: Transition and Exit

Based upon ENI/PCS budget guidance, USAID/Russia is now planning to make its last obligation of funds in FY 99. However, given the budget realities of the past 18 months, we consider it realistic to make contingency plans for a closedown as early as FY 97. While we are adhering to the long-established program goals for the NIS Program and have shaped our Results Framework to reflect our best estimates as to what we can accomplish to achieve those goals, we have also set ourselves a series of management goals which will enable us to exit at an accelerated pace if we need to and to provide maximum support to our customers as they continue the transition on their own.

B. Program Goals

USAID proposes to target all funds over the next three years towards the overriding strategic goals for the NIS: **restructuring the economy, fostering the democratic transition, and working towards social stabilization.**

In all of the nine Strategic Objectives relating to each of these goals, USAID proposes to continue supporting: policy, legal and regulatory changes; development and testing of alternative ways of doing things in a democratic, market economy; and helping people -- the "grassroots" -- make sense and take advantage of the new freedoms they have gained since 1991. This simultaneous top down/bottom up approach has produced results and, in the Mission's view, should continue.

C. Management Goals

Budgetary priority will be given, especially as resources grow even scarcer, to completing activities or programs which have a good probability of lasting success, that is, great potential to **result in sustainable fundamental changes in the way that the Russian economy and civil society operate.** This implies that the activities or programs that have strong Russian interest and commitment which is "institutionalized" in some way, i.e., an organization is formed, laws are passed, investments are made, should receive assistance.

A second priority is to use short-term funds to encourage sustainable **Russian-American linkages** which will be maintained without USAID funding in the future. Promotion of joint business ventures or long-term organizational partnerships are clearly examples of activities deserving such a priority. Similarly, priority might be given to the activities of U.S. PVOs that have demonstrated a capacity to mobilize private funds to sustain efforts.

Another fundamental management objective for USAID/Russia will be to **work with other donor agencies** -- the World Bank, the EBRD, other bilateral donors, the EU, and others -- to ensure that programs not completed with USAID funding receive support after USAID withdrawal. USAID already has a track record of success in providing practical models for solving specific problems. The World Bank is already or will be funding several housing and energy projects based on models developed with USAID financing in those sectors. The Germans and the British have begun funding post-privatization efforts within the structure established by USAID. Efforts to involve other donors with USAID-funded activities will be intensified over the next three years.

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PART V. SPECIAL ISSUES

A. Environmental Issues

Issues Related to IEE's and EA's

There are no issues related to the implementation of Initial Environmental Examinations or Environmental Assessments.

Schedule of Upcoming IEE's and EA's

In spring, 1995, the Mission held a scoping session for an Environmental Assessment with Bristol Meyers Squibb under the Medical Technology Transfer Activity. Bristol Meyers had originally planned to build a new pharmaceutical plant. After the scoping session, USAID and Bristol Meyers Squibb decided that it would be more fiscally prudent to restore an existing plant instead of fund the construction of the new one. USAID is waiting for the scope of work for the EA which should be completed in May, 1996.

B. Women in Development

USAID/Russia recognizes that fully successful implementation of democratic and economic reforms **relies on equality of women's access to and participation in** economic, political, and social organizations which promote or benefit from such reforms. Issues of gender participation are considered in the design process as well as in implementation. Some activities are designed with women as the primary customer in mind. In other activities, women are actively encouraged to participate. Tracking of womens' involvement and the impact of activities on women's status or welfare, however, has been difficult. The use of the RF for improved performance monitoring will help in this regard.

Russia is still far from offering women the same opportunities as men. According to the Constitution of the Russian Federation, men and women have equal rights, freedom and equal opportunities. However, these constitutional rights are not necessarily observed.

Recent statistics paint an uneven picture of women's participation in today's Russia. Recent figures from the Federal Employment Service of Russia indicate an **alarming rise in the number of unemployed women**, apparently tied to the economic

realignment the country has experienced over the past four and a half years. According to information from the Russian Federal Employment Service, in June, 1995 there were 1.3 million unemployed women in Russia or about 62 percent of the total number of unemployed, even though they account for only about 48 percent of the labor force.⁸ Women seem to be unemployed longer than men as well, 6.3 compared to 6.1 months.

In the labor force, low-skilled female workers outnumber low-skilled male workers by a factor of two to one.⁹ Concentration in relatively low-paid jobs is reflected in income differentials, with women earning, on average, wages which are one-third lower than men's. Women's representation in management positions is low. Women occupy 8 to 11 percent of management positions in enterprises. Further, 97 percent of women working at state-owned enterprises express concern about losing their jobs, while women report that managers in the private sector generally help those who are laid off find other work.¹⁰

However, in the political arena, women may be making some marginal gains. Some women have established their own party -- Women of Russia -- which only just missed the five percent threshold for party bloc representation in the Duma in the December, 1995 elections. However, all electoral blocs in the 1995 elections included women candidates in top positions on their lists. In the final tally for the Duma elections, 14 percent of representatives elected were women, up from 7 percent in the previous elections in 1993. 5.6 percent of members of the Upper House, the Federation Council, are women. At the end of 1995, there were 3 women heads of executive government agencies, and 12 deputy heads. 12 percent of local administrations throughout Russia are run by women.

NGOs involving women and women's issues are beginning to grow dynamically. In 1995 there were 400 officially registered women's NGOs compared with only 300 in 1993.¹¹

⁸Data from Goskomstat, 1993, cited by VCIOM.

⁹From a report in *Rossiskaya Gazeta*, February 14, 1996, on the government's policy "On Improving the Status of Women."

¹⁰ Public opinion data from VCIOM, the Russian Center for Public Opinion Research.

¹¹ Op cit., *Rossiskaya Gazeta*, Feb. 14, 1996.

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Some examples of USAID work with NGOs and other gender related activities follow:

NGOs: Solidarity at the "Grassroots"

Under a grant to Save the Children, women's NGOs are being supported through the Civic Initiatives Program. In Central Russia a micro grant under this activity supports the Moscow Women and Conversion NGO which is an advocate for women's labor rights and which is working to improve the status of women working at recently privatized firms. Another micro grant has been given to an NGO called Women for Children which is serving as a training institute educating women in management skills, fund raising and recruitment of volunteers. Another grant has gone to assist an NGO called Women's Unity which has opened self-help centers to help women adapt to a market economy.

In the Fall of 1995, the Network of East-West Women (NEWW), a subgrantee of World Learning, and the Moscow Center for Gender Studies held a conference in Pushkin, not far from St. Petersburg. Forty six women's advocacy activists, lawyers and government officials attended. The conference resulted in the creation of a Russian Legal Committee on legal issues. Further results included the establishment of working groups on issues such as women's rights, research, coalition building, networking, and communications, building a strategy for working with international laws and conventions, and the development of a women's situation assessment report, due in the Spring of 1996. Subsequent to the establishment of the Russian Legal Committee on Women's Issues, it was requested by the Moscow Center for Gender Studies to draft laws on the family, reproductive rights, and on labor.

Business Services: Employment through Entrepreneurship

The Volkhov International Business Incubator and Training Center is one example of USAID's New and Small Business Development program focussing on women entrepreneurs as customers. The Center, established with technical assistance from SUNY and the American-Russian Alliance of Women, offers the following services to clients: office and production space; business training seminars, business consultations, and business services and credit programs. While the philosophy of the Incubator is to serve the entire community, it focusses in particular on specific programs for women with the goal of having women be 60 percent of its clients and tenants. Seminars on women's empowerment and leadership are offered. The Incubator also works with the local Women's Business Club to support women in business. 70 percent of attendees at all seminars are women.

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The Business Development Program carried out by Deloitte Touche has also developed specific programs for women would-be entrepreneurs. The Program is directly responsible for the creation of the Women's Business Club in Vladivostok, the Ural Women's' Business Association, the Pervourask Business Women's Association, the Business Women's Association of Smolensk, Voronezh, Tomsk, Zelenograd, and Novosibirsk. Over 1200 Russian women are active members of these associations and the Business Development Program works directly with them in business services training and networking.

Legal Gains: Strengthening the base

Through the Rule of Law Consortium, the League of Women Voters provides practical training and technical assistance to help women in Russia protect their legal rights. The LoWV works closely with the Courts of General Jurisdiction where 50 percent of the judges are women. One of the objectives of this activity is to improve the status of women as judges in the new civil law system. Seminars addressing women and the law were held under a sub-contract with the University of Arizona. Among topics addressed at this seminar were domestic violence and workplace discrimination. In all training of the Courts of General Jurisdiction judges, judicial treatment of sexual harassment is always a main topic.

A series of workshops was co-sponsored by ABA/CEELI in partnership with the US/NIS Women's NGO consortium. Topics at the seminars included legislation regarding women's rights, sexual harassment, the effective use of expert witnesses in domestic violence cases, and women's human rights. Some of the presentations at the seminars were Duma members. Nearly 90 women lawyers and NGO activists representing 49 different Russian women's associations attended the seminars. As a direct result of these seminars, one participant designed and presented a workshop on domestic violence when she returned home to Saratov. In addition, a paper entitled, "SexualHarassment at Work", was recently published.

Training for New Opportunities

USAID has made an effort in its management of the NIS Exchanges and Training program to ensure that women are given equal access to the training opportunities. Overall, 36 percent of NET trainees to date have been women. For the under-25 group, the target of 50 percent female participation was almost met; for that group, 40 percent of the trainees were women, 60 percent men. Identifying older women proved to be more difficult. The percentage of women participating in the NET program declines in each group, with only 23 percent of the participants older than

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55 being female.

A recent NET project evaluation shows that women found the training experience more positive than men and were more likely to indicate that they were expected to return with new ideas for their workplace. Indeed, women returnees appear to have received more increases in their job responsibilities than their male colleagues. 47 percent of women reported increased responsibilities while only 35 percent of men indicated such increases.

C. New Partnerships Initiative (NPI)

USAID/Russia balances its programming between support for initiatives which will lead to systemic change at the national or structural level and support for groups and individuals at the local level who are willing to experiment and to move ahead with reforms even where the policy or legal context is unclear. U.S. and Russian NGOs are important implementing partners at both levels, but are especially critical in the grassroots work.

Work involving partnerships between Russian NGOs and similar US organizations and is focussed in three basic areas:

- establishment of new groups,
- strengthening of and advocacy for existing groups, and
- developing of more permanent linkages among organizations both within Russia and internationally.

Since 1992, USAID has supported over 150 partnerships, and estimates that for the past two fiscal years, over 60 percent of its portfolio has funded these types of activities. The expectation is that not only will such partnerships strengthen the underpinnings of the reform transition, but they will also ensure sustainability of both a grassroots level advocacy and a larger policy-level presence after targeted USG assistance is terminated.

Fostering of NGOs and partnerships have also been proven to be a good way to incorporate USAID's gender advocacy Russia-specific work -- as the examples of the previous section illustrate. Selected examples below show that while the bulk of partnership activities are under ENI Strategic Assistance Area 2, *Democratic Transition*, USAID/Russia builds partnerships and the strengthening of local NGOs

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and associations throughout Russia into the approach to achieving all of the Strategic Objectives. An illustrative list of activities is given below.

Establishment

USAID funds have been important in the establishment of a wide variety of groups in many sectors. Under SO 1.5, for example, funds have been used to establish an energy efficiency advisory group that charges fee-for-service and is already self-sufficient. Under this same SO, a Russian Energy Manager's Association was set up. REMA provides a vehicle for private sector energy managers to exchange information about prudent energy use and savings. This effort will also lead to the establishment of linkages with the United States' Association of Association of Energy Engineers which is an international organization with 8,000 members.

The Russian Privatization center (RPC) and supporting Local Privatization Centers (LPCs) (SO 1.3) were built up and members trained. Initially focused on direct support to the massive privatization process, the RPC/LPC network now provides post-privatization services and is continuing to actively support post-privatization efforts. Also, under SO 1.3, public education programs have resulted in the establishment of the Association of Economic Journalists and the Shareholders Rights Group, which represents 16 regions. Under SO 1.4, USAID set up the Commercial Banker Training Centers in Vladivostok and Novosibirsk which have established themselves as the premier providers of bankers training in a large part of Russia.

Under SO 2.2, USAID funds have sponsored more than 43 partnerships. Included among them is the establishment of 24 new health education centers across Russia. In partnership with the Magee Womancare Hospital and the Health and education Center in Moscow, 24 new Russian NGOs provide up-to-date health education classes, services and information to women who can't receive it elsewhere. Managers of these education centers are also receiving training in NGO management and fund raising to ensure sustainability after initial support from USAID is completed. Under SO 1.4, The Institute for Urban Economics, made up of the original employees of the USAID-sponsored Urban Institute, is a newly registered local institution. The institute was created with the sole purpose of continuing the Urban Institute's activities after USAID funding ended. This partnership, including technology transfer and training, will continue well after the departure of USAID.

Strengthening and Advocacy

Under SO 3.2, USAID is actively encouraging partnerships in the US and Russia

selected specifically of their potential to contribute to USAID's health care transformation objectives. The US Association for University Programs in Health Administration (AUPHA) is collaborating with a similar Russian organization to ensure the highest quality education in health care administration. Contributing towards the achievement of this same Strategic Objective, the University of Iowa has developed a partnership with St. Petersburg Medical Institute to create a family practice residence training center which is a critical element in the shift in health care from the specialist in the hospital to primary care in an outpatient setting. Under SO 1.3, USAID funds granted to Opportunity International have helped small business training and advocacy through strengthening of 20 local NGOs working in the business and service sectors in Nizhny Novgorod. Training has been given to managers of these NGOs at the local and international level. Under SO 1.4, the Housing Sector Reform Project (HSRP) is providing assistance to newly formed condominium associations throughout Russia. This assistance is targeted both to local administrations enhancing their ability to pass laws and regulations concerning private ownership issues, and to property owners, encouraging them to form fee-paying associations and property-rights advocacy groups.

Under SO 2.1, America's Development Foundation has formed a partnership with the Moscow-based Research Center for Human Rights to provide needed technical cooperation in Russia's transition to a democratic society where fundamental human rights are recognized and respected. Through this partnership, technical assistance and training in human rights advocacy will be given and 10 regional affiliate network centers will be organized. In the achievement of Strategic Objective 1.5, an important partnership program is the Utility Partnership Program. USAID funds help the US Energy Association work to strengthen partnerships between six US regional gas and electric distribution companies and their Russian equivalents. This relationship encourages technical cooperation and information sharing.

Linkages

As USAID/RUSSIA plans for a successful departure over the next few years, fostering specific linkages between US and Russian organizations is one way to ensure continued cooperation and growth for both the US and Russia with no cost to the US taxpayer.

- Under SO 3.2, additional funding to the AIHA's Medical Partnerships Program will be used to finance linkages between US systems for providing health care Health Maintenance Programs and newly formed Russian health care organizations.

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- Under SO 1.5, the Tyumen Oil and Gas Center is in the process of establishing close links between the U.S. and Russian gas and oil industries. These links will foster communication in the case of oil spills or other disasters and will increase communication and technical cooperation between the two countries' oil and gas industries through the creation of an electronic bulletin board, workshops, and distribution of technical literature.
- Under SO 2.1, the Departments of Journalism in Ural State University (Ekaterinburg), and the University of North Carolina have a longstanding agreement that is being supported with USAID funds. Strengthening the Department of Journalism at Ural State and modernizing it will help its graduates become better prepared to meet Russia's journalism needs in the 1990's and beyond.
- Under SO 2.2, the YMCA/USA and the YMCA/RUSSIA have expanded their linkage activity to include 20 local-to-local partnerships. In this case, the success of creating a sustainable linkage with help from USAID funds is already evident. The YMCA/USA continues to provide support to the Russia YMCA movement by continuing to support a Field Director and by fostering local to local funding from US local YMCAs. A new Russia Field Coordinator (a Russian professional) has been hired for a four year period (financed by the YMCA in Europe).
- Under SO 1.3, the Farmer to Farmer Program sustains linkages between U.S. organizations and NGO agricultural cooperatives such as the Mushroom Growers Association, Goat Breeders Association, and the Ekaterinburg Dairy Processing and Marketing Cooperative. These associations provide training and market services and information to their members.
- One area that increased intra-Russia linkages was under SO 1.4 in which USAID assistance was the catalyst for the creation of the Russian Trading System (RTS) which is a NASDAQ-like electronic-based trading system, linking Russia's primary financial centers. The RTS will be expanded to 18 cities in 1996, and its ownership transferred to a Russian national association of market participants.

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STRATEGIC OBJECTIVE TEAM
Strategic Objective 1.2
Tax System Reformed to Correspond to a Decentralized Market Economy

CORE TEAM:

USAID/Moscow:

1. David Dod - Team Coordinator
2. Chris Foley
3. Rick Scott
4. Val Chodsky
5. Irina Karzanova
6. Susan Cheney O'Byrne

USAID/Washington (virtual\proposed):

Not yet selected.

EXTENDED SO TEAM MEMBERS:

USAID/Moscow:

1. Orion Yeandel
2. Marc Ward
3. Carolin Crabbe
4. George Deikun

STRATEGIC OBJECTIVE TEAM
Strategic Objective 1.3
Accelerated Development and Growth of Private Enterprises

CORE TEAM:

USAID/Moscow:

1. John Beed - Team Coordinator
2. Cecilia Ciepiela
3. Stephen Giddings
4. Kathy Norris
5. Earl Gast
6. Val Krylov
7. Alexander Sarkisov
8. Keith McCue
9. Alex Deprez
10. Greg Brock
11. Kristen Easter
12. Tom Martens
13. Marina Nikolayeva
14. Anne Bodley
15. Christine Nasser
16. Matt Mosner

USAID/Washington (virtual/proposed):

1. Judith Schumacher
2. Hans Shrader
3. Art Warman
4. Erin Kinder

EXTENDED SO TEAM MEMBERS:

USAID/Moscow:

1. Orion Yeandel
2. Marc Ward
3. Carolin Crabbe
4. George Deikun

STRATEGIC OBJECTIVE TEAM
Strategic Objective 1.4
A Robust and Market-supportive Financial Sector

CORE TEAM:

USAID/Moscow:

1. Susan Friedland - Team Coordinator
2. Val Chodsky
3. David Dod
4. Bill Gould
5. Sasha Sarkisov
6. Olga Stankova

USAID/Washington (virtual/proposed):

Not yet selected

EXTENDED SO TEAM MEMBERS:

USAID/Moscow:

1. Maya Berulava
2. Carolin Crabbe
3. George Deikun
4. Vadim Gorev
5. Angelina Gurkina
6. Jill Thompson
7. Orion Yeandel
8. Mark Ward

STRATEGIC OBJECTIVE TEAM
Strategic Objective 1.5
A More Economically and Environmentally Sound Energy System

CORE TEAM:

USAID/Moscow:

1. Ronald Leasburg - Team Coordinator
2. Arthur Laemmerzahl
3. Rick Scott
4. Michael Stepanov
5. Yuri Andrianov
6. Galina Krivova
7. Natasha Usoltseva
8. Bogdan Kalachev
9. Yuri Kazakov

USAID/Washington (virtual\proposed):

1. Robert Archer
2. Kevin Bliss
3. Gordon Weynand
4. Rajiv Rastogi
5. Iqbal Chaudhry

EXTENDED SO TEAM MEMBERS:

USAID/Moscow:

1. Mark Ward
2. Gene George
3. Terrence Tiffany
4. David Dod
5. Alison Sartonov
6. Orion Yeandel

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STRATEGIC OBJECTIVE TEAM
Strategic Objective 2.1

**Increased, Better Informed Citizens' Participation in Economic and Political
Decision-making**

CORE TEAM:

USAID/Moscow:

1. Julie Allaire-MacDonald - Team Coordinator
2. Anne Mavity
3. Genia Kantonistova
4. Carol Marquis
5. Marina Grigorievna
6. Anne Bodley

USAID/Washington (virtual/proposed):

1. Diane Tsitsos
2. Mitch Benedict
3. Steve Bouser
4. Eileen Wickstrom
5. Christine Sheckler
6. Hans Shrader
7. Corbin Lyday

EXTENDED SO TEAM MEMBERS:

USAID/Moscow:

1. Orion Yeandel
2. Jeanne Bourgault
3. Terry Tiffany
4. Keith Mccue
5. Masha Lomakina
5. Steve Giddings
6. Susan Friedland
7. Chris Foley
8. Mark Ward

USAID/Washington (virtual/proposed):

1. Gerry Donnelly
2. Mary Ann Riegelman
3. Kathryn Stratos

OTHER SO TEAM MEMBERS:

US Embassy:

1. USIA: Dick Hoagland,
2. PIMO: Tom Rogers, Peter Cheremushkin

Donor Partners:

1. EU Tacis
2. Know-How Fund
3. USIS

Assistance Implementors:

1. NDI, Jennifer Collins-Foley
2. Internews, Manana Aslamazian
3. MDP, Igor Bobrowsky
4. IRI, David Denehy
5. FTUI, Irene Stevenson
6. Save the Children, Tom and Lisa Krift
7. CRS, Sasha Domrin

STRATEGIC OBJECTIVE TEAM
Strategic Objective 2.2

Democratic Systems that Better Support Democratic Processes and Market Reforms

CORE TEAM:

USAID/Moscow:

1. Keith McCue - Team Coordinator
2. Maria Lomakina
3. Matt Mosner
4. Julie Allaire-MacDonald
5. Ilya Katerley
6. Dmitri Fadeev

USAID/Washington (virtual/proposed):

1. Keith Henderson
2. Diane Tsitsos
3. Elana Broitman
4. Ilona Countryman

EXTENDED SO TEAM MEMBERS:

USAID/Moscow:

1. Mark Ward
2. Orion Yeandel
3. Jeanne Bourgault
4. Carolyn Crabbe

USAID/Washington (virtual/proposed):

1. Gerry Donnelly
2. Keith Henderson
3. Susan Gurley

OTHER SO TEAM MEMBERS:

US Embassy:

1. S/INL, Tom Robertson
2. DOJ, Mike Dittoe
3. POL, Dennis Curry

Donors:

1. World Bank
2. Council on Europe
3. Dutch

Assistance Implementors:

1. ARD/Checchi, Ron Childress
2. ABA, Nan Burns

STRATEGIC OBJECTIVE TEAM
Strategic Objective 2.3

**More Effective, Responsive and Accountable Local Government in Selected
Cities**

CORE TEAM:

1. Gerry Donnelly
2. Keith Hendersen

USAID/Moscow:

1. Chris Foley - Team Coordinator
2. Anne Mavity
3. Julie Allaire-MacDonald
4. Marina Grigorieva
5. Genya Kantonistova
6. Elmira Starchevskaya
7. Irina Veselieva
8. Greg Brock/Jim Walsh

USAID/Washington (virtual/proposed):

1. Ted Priftis
2. Mitch Benedict
3. Diane Tsitsos

EXTENDED SO TEAM MEMBERS:

USAID/Moscow:

1. Orion Yeandel
2. Mark Ward
3. Jeanne Bourgault
4. Steve Giddings
5. Angelina Gurkina
6. Vladimir Petrovsky

7. Maria Lomakina
8. Vadim Gorev
9. John Beed/Cecilia Ciepiela

USAID/Washington (virtual/proposed):

OTHER SO TEAM MEMBERS:

U.S. Embassy Partners:

- 1.
- 2.
- 3.

Donor Partners:

1. European Union/Tacis
2. Canda
3. World Bank
4. USIS

Assistance Implementor Partners:

1. Al Sharp, RTI
2. Juliet Johnson, RTI
3. Jennifer Collins-Foley, NDI
4. Curt Courtelyou, NDI

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STRATEGIC OBJECTIVE TEAM
Strategic Objective 3.2
Improved Effectiveness of Selected Social Benefits and Services

CORE TEAM:

USAID/Moscow:

1. Jane Stanley - Team Coordinator
2. Susan Cheney
3. Nikita Afanasiev
4. Natasha Vozianova
5. Tamara Sibiladze
6. Liese Sherwood-Fabre
7. John Thomas
8. Angelina Gurkina
9. Genya Kantonistova
10. Katia Druzhinina
11. Paul McVey

USAID/Washington (virtual\proposed):

Not yet selected.

EXTENDED SO TEAM MEMBERS:

USAID/Moscow:

1. Orion Yeandel
2. Marc Ward
3. Carolin Crabbe
4. George Deikun

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STRATEGIC OBJECTIVE TEAM
Strategic Objective 3.3
Increased Capacity to Deal with Environmental Pollution as a Threat to
Public Health

CORE TEAM:

USAID/Moscow:

1. Alison Sartonov - Team Coordinator
2. Elena Gurchich
3. Lyudmila Vikhrova
4. Marina Grigorieva
5. Kristen Easter
6. Galina Krivova

USAID/Washington:

Not yet selected.

EXTENDED SO TEAM MEMBERS:

USAID/Moscow:

1. Christine Nasser
2. Jane Stanley
3. Marina Perfilova
4. Yuri Kazakov