

Russia

The Development Challenge: While Russia's economic recovery continued to gather momentum this past year, its overall performance in areas like consolidating a democratic, open, and participatory civil society, and fighting global epidemics like AIDS and tuberculosis, was mixed. New restrictions on media coverage of elections, a new law redefining local governance, and pressure on oligarchs, including budding private philanthropists, had a chilling effect on Russia's emerging democratic institutions.

Buoyed by high oil prices, the Russian Federation's economic performance in 2003 exceeded the most optimistic expectations. Since the economic collapse of 1998, output has increased by a cumulative 28% and is expected by many analysts to grow by 6.5% to 7% in 2003, compared to 4.3% in 2002. Performance of the hydrocarbon sector also helped spur government revenues and was a key factor in producing a significant overall government budget surplus for the fourth year in a row. In 2003, the percentage of the population living below the subsistence level was 24.6%, compared to 31.5% in early 2002. Nonetheless, while the benefits of rapid growth are visible, unemployment was a full percentage point higher than a year earlier. Other indicators of economic well-being such as health indicators and life expectancy failed to improve. Progress continued on key economic reforms, but implementation remains a serious problem. Administrative barriers and a weak banking system continue to retard the growth of small and medium-sized firms. The contribution of small and medium enterprises to GDP remains low by international standards.

Progress on democratic reforms is incomplete, and democratic institutions remain fragile. Progress in judicial reform was mixed. Judicial administration continues to improve and the range of issues that is considered by courts is broadening, but charges of corruption and threats to judicial independence persist. Efforts to control the media and concerns about human rights abuses and religious intolerance are evidence of Russia's continued struggle between proponents of broad participation and the GOR's pursuit of "managed democracy." The arrest of an oil magnate sent a chill through the corporate community and dampened hopes that corporate philanthropy might substitute for foreign assistance in support to civil society.

In the health sector, results were also varied. Issues concerning intergovernmental fiscal relations and delivery of communal services remain. Russian government adoption of international protocols for treating tuberculosis, including multi-drug-resistant strains, is a major step forward. But, the HIV/AIDS pandemic in Russia, one of the fastest increases in the rate of infection in the world, poses a serious threat to the country's future, and the need to adopt healthier lifestyles is vital to reversing a decades-long slide in Russia's life expectancy rates.

Critical issues such as anti-terrorism, energy, non-proliferation, trade and investment, trafficking in persons, regional stability and conflict prevention, and trans-boundary health and environmental threats, are key to U.S. national interests, and USAID's program activity supports U.S. objectives in Russia as outlined in the Embassy's Mission Program Plan (MPP).

The USAID Program: USAID's programs in Russia focus on democracy, economic growth, and health. They concentrate on supporting development and implementation of market-oriented reforms, including support to the small and medium-size business sector; strengthening civil society, including those that promote improvements in environmental resource management; improving legal systems; strengthening local governance; and improving health care and child welfare practices. The USAID program addresses Congressional interests in combating infectious diseases, promoting reproductive health/family planning and child survival/maternal health, addressing the needs of vulnerable children and orphans, combating trafficking in persons and domestic violence, and providing financial support for the Russian Far East and the U.S.-Russia Investment Fund.

The budget for FY 2004 reflects a 16% cut in resources to USAID's Russia program from FY 2003. As the first step in phasing out FSA support, there is a significant reduction in funding for economic growth programs, including reductions in the financial sector reform area and as well as in environment activities. Funding in the democracy areas will be generally sustained. USAID will reduce funding for some cross-

cutting programs. Following this transition year, an increase in funding for the democracy area is planned for FY 2005. The budget for the health area is being increased in FY 2004, reflecting increased efforts in the HIV/AIDS area.

USAID is preparing for phasing out FREEDOM Support Act (FSA) programs in Russia. In 2004, the Mission will prepare a strategy for FSA and other assistance to Russia. Periodic assessments will be undertaken to ensure that resources are being targeted to the highest priority sectors from the standpoint of U.S. national interests.

Virtually all of USAID's assistance is managed by non-governmental and private sector organizations, and only a small portion directly benefits the Russian Government. USAID's Russian partners, including a number of think tanks, while highly effective in their respective fields, are not yet fully sustainable. The need to ensure the sustainability of these key institutions and the irreversibility of Russia's transition must be taken into account throughout the phase down period.

Other Program Elements: Non-bilateral resources include U.S.-Russian health and environmental partnerships; donated medical equipment; regional programs to combat tuberculosis and HIV/AIDS and to promote international accounting standards; the efforts of the Eurasia Foundation; the U.S.- Russia Investment Fund; farmer-to-farmer advisors; and small business loan guarantees.

USAID also works closely with other USG agencies working in Russia, especially in supporting Department of Energy programs in "nuclear cities" and in ensuring maximum coordination with public affairs activities.

Other Donors: The United States is the largest bilateral donor to Russia. Other major donors include the European Union (legal, civil service, fiscal, banking, and social reform); Italy (agriculture, urban development, market economy); Germany (education, health, environment, and economic infrastructure); the United Kingdom (economic policy reform, participatory government, civil society, the rule of law, health, and enterprise development); Sweden (common security; integration in Europe; civil society, including legal system, independent mass media, and equality between the sexes; socially sustainable economic transition, including health and public administration; environment; trade and investment into Baltic Sea region); Norway (environment, including nuclear safety and energy issues; economic development); France (economic and social infrastructure); Finland (economic transition, environment, health, culture); and Canada (transition to a market-based economy, democratic development, environment, indigenous people, trade and investment links). Private foundations also play an important role, particularly in the areas of civil society and health. However, over the last year, with the Soros Foundation's near-complete withdrawal and with events that have discouraged local philanthropy, that role may be diminishing.

Data Sheet

USAID Mission:	Russia
Program Title:	Small Business Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	118-0131
Proposed FY 2004 Obligation:	\$10,379,000 FSA
Prior Year Unobligated:	\$580,000 FSA
Proposed FY 2005 Obligation:	\$8,421,000 FSA
Year of Initial Obligation:	FY 2000
Year of Final Obligation:	FY 2007

Summary: USAID's business development and finance programs continue to provide technical assistance, training, and non-bank financing to promote economic growth for the transition to a free-market economy and to a more democratic society through the development of a middle class in Russia. Activities benefit individual entrepreneurs and small businesses by improving the policy environment, delivering high quality business services, improving access to finance with an emphasis on the entire small and medium-sized enterprise (SME) sector support, and promoting economic education for Russian youth.

Inputs, Outputs, Activities:

FY 2004 Program:

Policy Reform (\$200,000 FSA). USAID will continue to provide technical assistance and training to eight business associations in the Russian Federation to analyze and advocate reforms needed to improve the business environment for SMEs. The lessons learned at the regional level will then be used to strengthen an agenda to assist the Russian Duma in reform at the federal level. USAID's partner is the Center for International Private Enterprise (prime).

High-Quality Business Services (\$6,450,000 FSA, \$100,000 FSA carryover). USAID will continue its SME development activity in the Russian Far East (RFE) which was started last year. This activity covers regulatory reform, credit availability, advanced training and sector-specific consultancies. USAID will start a new RFE business development program that is slated to work through the University of Alaska at Anchorage (UAA). USAID and UAA currently are analyzing development components of the project that will continue providing business extension services and training. A follow-on activity to the current Alaska Chukotka Development Program will provide economic development and humanitarian assistance for the native people of Chukotka. Another USAID activity will support the adoption of both international accounting standards and certification of competence for Russian accountants. USAID's partners are Winrock International (prime), University of Alaska at Anchorage (prime) and Carana Corporation (prime).

Access to Finance (\$2,620,000 FSA, \$180,000 FSA carryover, \$300,000 prior year recoveries FSA). USAID-supported individual non-bank finance institutions (NFIs), which comprise six NFI networks operating in various locations across Russia, are rapidly approaching sustainability. Therefore, this will be the last year of funding to individual Russian NFIs. In FY 2004, USAID will help these individual NFIs to obtain greater access to commercial sources of funding and to form partnerships with internal and external investors through USAID's Global Development Alliance. USAID will continue supporting the NFI sector as a whole by providing training and consulting to over 350 indigenous Russian NFIs. USAID will undertake initial steps to set up a Microfinance Capital Fund to provide loans to NFIs and to create a model for commercial banks and other investors seeking to invest in NFIs. USAID's partners are ACDI/VOCA (prime), Foundation for International Community Assistance (FINCA International) (prime) and Development Alternatives Inc.(prime).

Education and Training (\$310,000 FSA). USAID will continue to promote economic education, ethics and civic responsibility through development and distribution of primary and secondary school curricula. The Junior Achievement Russia (JAR) activity will be expanded to reach 450,000 students and incorporate civics and ethics training into the curriculum. Principal grantee is Junior Achievement Russia (prime).

Program Support (\$799,000 FSA). These funds will cover training, evaluations, studies, and related program management costs.

FY 2005 Program:

Policy Reform (\$500,000 FSA). The policy advocacy activity will continue its technical assistance and training for Russian business associations to implement their business agendas at the regional and federal levels to change obstructive laws and decrease administrative barriers to SME development. Principal implementer: same as above.

High-Quality Business Services (\$4,050,000 FSA). USAID will continue to support SME development in the RFE. USAID intends to continue the Alaska Chukotka Development Program as well as the activity implemented by UAA in order to meet the unique needs of local RFE SMEs. Principal implementer: same as above.

Access to Finance (\$2,571,000 FSA). In FY 2005, USAID will continue to help individual NFIs to become fully self-sustainable, convert into formal financial institutions, get access to commercial funding, and form partnerships. USAID will continue strengthening the Russian Microfinance Center to reach the point by 2006, whereby it can continue to develop on its own. The partnerships of FY 2004 will continue. Principal implementer: same as above.

Education and Training (\$300,000 FSA). USAID will continue to expand the JAR activity to more schools with a target of 500,000 students and will further expand its core program with civics and ethics training. In addition, it will solicit financial support from Russian businesses, with the intention that Russian businesses will eventually pay most of the program's costs. Principle implementer: same as above.

Program Support (\$1,000,000 FSA). These funds would cover evaluations, studies, and related program management costs.

Performance and Results: A USAID-funded action plan to reduce administrative barriers was adopted. This allowed the start-up, locating, and operating procedures for SMEs in Tomsk Oblast to be simplified. Business Support Institutions (BSIs) served nearly 26,000 SME clients, 1,300 of which obtained loans totaling approximately \$38 million. One hundred twenty-five farmer-to farmer volunteers helped clients to increase production and revenues by at least 10%. Four hundred fifteen thousand primary and secondary students from 80 Russian regions were exposed to training in economics, ethics, and civic responsibility. USAID-supported non-bank finance activities provided Russian SMEs with over 43,000 loans worth over \$50 million, allowing SME loan recipients to grow their businesses by 200% to 300% on average. Two NFIs established by USAID, FINCA/Samara and Counterpart Enterprise Fund (CEF)/Khabarovsk, successfully graduated from USAID assistance programs and are now operating independent of USAID assistance. Several USAID non-bank finance programs attracted substantial commercial funding and formed partnerships with private sector institutions.

Data Sheet

USAID Mission:	Russia
Program Title:	Economic Policy Reform
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	118-0141
Proposed FY 2004 Obligation:	\$4,221,000 FSA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$3,700,000 FSA
Year of Initial Obligation:	FY 2003
Year of Final Obligation:	FY 2007

Summary: USAID's program to support Russian-led policy reform includes: grants to Russian think tanks for institutional strengthening and policy analyses on select economic reform topics; technical assistance to improve intergovernmental fiscal relations at all levels of government; small grants to further Russian initiatives to improve corporate governance; targeted technical assistance to strengthen the financial and banking systems; and loan guarantees to stimulate Russian commercial bank lending to small and medium-sized enterprises (SMEs).

Inputs, Outputs, Activities:

FY 2004 Program:

Economic Institutions (\$2,151,000 FSA). USAID will provide small grants to about 20 Russian think tanks to strengthen their institutional capacity and to develop policy recommendations on selected economic reform issues such as strengthening market economy and increasing fiscal decentralization. The program will train think tanks in policy advocacy to increase support among the general public, business community and government for those reforms. USAID will continue funding further work in such areas as tax reform, WTO accession, budget reform, social sector reform and restructuring of natural monopolies. USAID will also support monitoring of implementation of laws to reduce administrative barriers for small business in 20 regions. Prime grantees are Institute for Economy in Transition (IET), the Moscow Public Science Foundation (MPSF) and Center for Economic and Financial Research.

Fiscal Reform (\$750,000 FSA). USAID will fund a Russian think tank to develop and implement various intergovernmental fiscal policy reforms. Such reforms will lead to improved social services and greater transparency in government budgeting by reducing unfunded mandates and clarifying revenue and expenditure assignments between federal, regional and local levels of government. Additionally, technical assistance to six pilot regions and short-term assistance to approximately 40 regions will be provided to rationalize revenue transfers between regional and municipal governments. Prime grantee is the Center for Fiscal Policy.

Financial Reform (\$902,000 FSA). USAID will provide assistance to the Central Bank of Russia (CBR) to address systemic weaknesses inhibiting Russian banks from attracting deposits and issuing loans to Russian SMEs. Specifically, USAID will assist the Central Bank in setting up a deposit insurance program and in upgrading the CBR's on-site banking supervision capability. At the policy level, USAID will assist the CBR and other government counterparts to improve laws and regulations governing commercial lending. In addition, USAID will fund two new guarantee agreements with Russian commercial banks to promote SME lending. USAID will provide a select group of Russian banks with targeted technical assistance and training to strengthen their ability to mobilize savings and engage in commercial lending to SMEs and other businesses. This combination of deposit insurance, bank supervision, partial SME loan guarantees, targeted training, and technical assistance will stimulate additional SME lending at the commercial bank level. Prime grantees and contractors are the Financial Services Volunteer Corps and commercial banks yet to be determined.

Program Support (\$418,000 FSA). These funds will cover training, evaluations, studies, and related program management costs.

FY 2005 Program:

Economic Institutions (\$2,000,000 FSA). USAID will fund 15 new think tank grants to develop policy recommendations on selected economic reform issues that will strengthen the market economy and fiscal decentralization. USAID will continue the economic policy program. Principal implementer: same as above.

Fiscal Reform (\$700,000 FSA). USAID will continue to develop and implement various intergovernmental fiscal policy reforms, though at a reduced level, as the implementer increases its funding from other donors and works with regional and federal government beneficiaries on a cost-sharing basis. Principal implementer: same as above.

Financial Reform (\$700,000 FSA). USAID plans to enter into two more loan guarantee agreements with Russian commercial banks, U.S. companies, or other sources of private capital to establish and increase their SME lending portfolio. Principal implementer: same as above.

Program Support (\$300,000 FSA). These funds would cover, evaluations, studies, and related program management costs.

Performance and Results: USAID-supported think tanks conducted 54 analyses that were incorporated into legislative and policy initiatives. USAID contributed to additional new legislation that greatly simplifies tax procedures for Russian SMEs by consolidating all SME tax payments into one simple unified SME tax. USAID also contributed to the development of a new federal law on local self-governance that provides greater fiscal autonomy for local governments in Russia and increases transparency and accountability. A new law that clarifies spending responsibilities across all levels of government, as well as draft legislation on credit bureaus and deposit insurance, was developed with USAID assistance. With USAID advice, the Central Bank of Russia developed and implemented new currency regulations.

Data Sheet

USAID Mission:	Russia
Program Title:	Environment
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	118-0161
Proposed FY 2004 Obligation:	\$3,590,000 FSA
Prior Year Unobligated:	\$246,000 FSA
Proposed FY 2005 Obligation:	\$0
Year of Initial Obligation:	FY 2000
Year of Final Obligation:	FY 2005

Summary: USAID's environment program provides technical assistance, small grants and training to promote environmentally sustainable economic growth. Additional benefits include improved health for Russia's citizens, and mitigation of trans-boundary environmental issues such as the migration of pests and global climate change. A major focus is on environmentally-friendly business development, which also helps to meet the need to satisfy environmental standards necessary to join international economic organizations and to help firms to compete in the global marketplace. In the forestry sector, the program addresses the larger issues of protecting and preserving Russia's valuable carbon sink (forests that reduce the prevalence of greenhouse gases), while creating new small business and employment opportunities and promoting democratic reforms, civil society, and community development.

Inputs, Outputs, Activities:

FY 2004 Program:

This program is implemented through two projects: FOREST and Replication of Lessons Learned (ROLL). These projects are complementary and are comprise of the components below. Prime grantees are Winrock International and the Institute for Sustainable Communities (ISC). Both partners manage parts of all these components, with the exception of local governance capacity, which is managed entirely by ISC.

Business Development (\$990,000 FSA). USAID will continue to increase the capacity of trade associations in the Russian Far East (RFE) and Siberia to provide services such as strategic planning, market studies, information and training to member companies.

Technology and Processes (\$797,000 FSA). Training will be provided to businesses and government on environmental management systems (EMS) and ISO 14000 (international standards for environmental management) to prepare companies to implement EMS and enable government to design accreditation and certification systems. Additional feasibility studies and the identification of financing options will continue to increase the number of companies investing in biomass energy technologies.

Local Government Capacity (\$438,000 FSA). Targeted municipalities will replicate cost-saving energy efficiency projects and health risk assessments already successfully introduced in pilot regions. The assessments will be used to prioritize decisions on investments in municipal services.

Forest Resources (\$330,000 FSA). The new pest monitoring system introduced by USAID in 2001 will be institutionalized at the national level, and data already collected will be used to predict and prevent outbreaks throughout the country.

Civil Society Advocacy (\$845,000 FSA). The forest fire prevention campaign will be implemented at the national level though adoption of the approach by the Ministry of Natural Resources working in cooperation with the participation of citizen groups, schools, and local administrations. Environmental education and Internet linkages will continue to be promoted throughout Russia.

Program Support (\$190,000 FSA, \$246,155 FSA prior year recoveries). These funds will cover training, evaluations, studies, and related program management costs.

FY 2005 Program:

This program will continue under the two projects of FOREST and ROLL. The present programs are scheduled to close out in July 2005 and May 2005, respectively. The pipeline of funds from FY 2003 and FY 2004 funds is expected to take them to project end dates. No funding is presently identified for FY 2005.

Performance and Results: USAID's environmental programs have improved the profitability and sustainability of eco-businesses and the associations that support them. Russian businesses now have the capacity to implement environmental management systems conforming to WTO regulations. With USAID support, timber processing wastes are converted into biomass energy, providing additional revenue and saving fossil fuels. Energy efficiency programs provide schools, hospitals and average citizens with heat and are saving money that is used to address other social needs. Thanks to a new method to predict and control forest pest outbreaks, associated costs have been reduced by 80% in pilot regions. Sustainable forest management is performed on 43.2 million acres. More than 750 individuals and groups participated in a fire prevention campaign, disseminating the knowledge to thousands more. More than 20 new environmental education and public advocacy programs have been implemented, and an Internet network linking children in 140 cities enables them to share their environmental experiences.

Data Sheet

USAID Mission:	Russia
Program Title:	More Open, Participatory Society
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	118-0211
Proposed FY 2004 Obligation:	\$11,590,000 FSA
Prior Year Unobligated:	\$2,460,000 FSA
Proposed FY 2005 Obligation:	\$15,477,000 FSA
Year of Initial Obligation:	FY 2002
Year of Final Obligation:	FY 2008

Summary: USAID's program to foster a more open, participatory society includes: increasing sources of independent public information; strengthening civil society and advocacy institutions; and increasing citizen participation in civil society organizations (CSOs) and in the community.

Inputs, Outputs, Activities:

FY 2004 Program:

Independent Information (\$3,542,000 FSA, \$25,000 FSA carryover, \$300,000 FSA prior year recoveries). USAID's funds will be used to increase sharing of technical skills and quality programming through expansion of the network of regional Internovosti TV news service subscribers; provide legal assistance to regional print media; foster best practices gained from connections between American and Russian media business owners and managers and conduct training for journalists and managers of non-state media. Principal contractors and grantees will include Internews (prime), the International Research and Exchanges Board (prime), and a new partner to be determined.

Civil Society and Advocacy Institutions (\$4,749,000 FSA, \$1,342,000 FSA carryover). USAID will support CSO community efforts to consolidate and professionalize the sector, to build advocacy capacity, and to equip CSOs with skills to effectively engage policymakers. USAID's program will support drafting of State Duma legislative proposals on taxation of CSOs, which will be supported by economic and policy research on the economic effect of the Third Sector, and will implement a high profile nation-wide public advocacy campaign to promote proposed legislative changes. In addition, USAID will provide technical assistance to organizations involved in increasing citizen participation in the political process through voter education, election monitoring and training for young politicians and political leaders. USAID will support the expansion of a non-partisan, grassroots voters' organization to 30 Russian regions. Human rights activities will address issues of tolerance, the rights of the physically and mentally challenged, advocacy and dissemination of information. Principal contractors and grantees include: National Democratic Institute (prime), International Republican Institute (prime), VOICE (prime), Perspectiva (prime), University of Minnesota (prime), Bay Area Council (prime) and new partners to be determined.

Citizen Participation (\$2,430,000 FSA, \$770,000 FSA carryover). USAID will support programs to promote democratic values among government officials, business and political leaders. A service-learning program will work to expand school-based pilot programs and promote students' participatory activities in their communities. USAID will continue to mobilize local communities to address common issues, and strengthen CSOs in the Russian Far East. Principal partners/grantees include Moscow School of Political Studies (prime), Institute for Sustainable Communities (prime), and new partners to be determined.

Program Support (\$869,000 FSA, \$22,800 FSA carryover). These funds will cover training, evaluations, studies and related program management costs.

FY 2005 Program:

Independent information (\$4,000,000 FSA). USAID will work to support regional broadcasters by continuing efforts to support the commercial side of broadcast media, promoting socially valuable content, and supporting professional broadcast media associations to be effective. A complementary activity will be introduced for training and management to broaden the development of the radio broadcast sector. USAID will continue to foster contacts between American and European media entrepreneurs, and strengthen organizations and initiatives such as the creation of the Association of Independent Regional Publishers. A follow-on print media activity will be designed and competed. New initiatives will strengthen media professionals' knowledge and skills in reporting on political and elections related activities.

Civil Society and Advocacy Institutions (\$7,587,000). USAID will continue its support to Russian CSOs community efforts to consolidate and professionalise the sector, to build CSO's advocacy capacity and to work for policy and legislative change. USAID will continue programming on the promotion of favourable taxation of CSOs. USAID will continue to support Regional Community Initiative centers to reinforce social responsibility in government, business and the general population, to support civic initiatives in target regions and to develop as regional grant-making entities. Activities will continue to promote human rights and tolerance through advocacy, awareness and education campaigns and support to legal defense of rights and opportunities. Principal contractors/grantees: same as above.

Political party training work will focus on campaign and election monitoring training during the campaigns for State Duma and President. Efforts will broaden work beyond political party strengthening in order to more effectively engage in the political sector. USAID will expand monitoring of elections in the regions. Principal contractors/grantees: same as above.

Citizen Participation (\$2,650,000 FSA). The civic education program introduced in the previous year will continue to work to expand school-based pilot programs and promote students' participatory activities in communities. Support to the Moscow School of Political Studies will continue, with increased support and attention to building internal capacity of the organization. Principal contractors/grantees: same as above.

Program Support (\$1,240,000 FSA). These funds will cover training, evaluations, studies and related program management costs.

Performance and Results: USAID's democracy programs have catalysed active participation of citizens across every sphere of Russian society. The second All Russia Civic Forum, in which USAID partners played a significant role, brought together approximately 3,000 federal, regional and local government officials, civil society activists, political analysts and businessmen from across the country to discuss issues such as the national strategy in the social sphere and assistance to unprotected and vulnerable populations. The second bi-annual All-Russia Conference of Civic Organizations brought together over 300 representatives of human rights organizations to explore strategies for cooperation between CSOs, authorities, businesses and political institutions. Leaders of two USAID partner organizations were invited to sit on the Presidential Commission on Human Rights.

In 2003, synergies were created with other USAID programming as a record number of Russian regional TV companies participated in public awareness campaigns to support causes such as assistance to Russian orphans and abandoned children, to discourage drug abuse, to raise awareness of children's rights and to promote media independence. Four new Regional Training Centers were opened to conduct training targeted to increase professionalization and sustainability of the media sector. Russian-American Media Entrepreneurship Dialogue (RAMED) led to the creation of a new publishers' association. The VOICE coalition expanded its network into 30 regions and for the first time conducted parallel vote tabulation.

Despite these solid gains, the sector is threatened by the centralization of power and increased restriction in laws such as the new law on media and politics, the new law on local self-governance, the lack of laws favorable to philanthropy and charitable giving, and the recent moves against Russia's largest emerging corporate philanthropists.

Data Sheet

USAID Mission:	Russia
Program Title:	Legal Systems Strengthened
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	118-0221
Proposed FY 2004 Obligation:	\$3,395,000 FSA
Prior Year Unobligated:	\$75,000 FSA
Proposed FY 2005 Obligation:	\$3,093,000 FSA
Year of Initial Obligation:	FY 2002
Year of Final Obligation:	FY 2008

Summary: USAID's program to strengthen legal systems in Russia increases public awareness of legal rights by strengthening legal protection of human rights and enhancing public relations skills of human rights organizations; increases the availability and skills of lawyers to represent citizens by supporting clinical legal education, actions to enforce women's rights (gender issues) and the advocacy skills of lawyers; and makes the Judicial System more transparent, independent, and efficient, through exchanges between Russian and American judicial officials on judicial education, ethics, court administration, and the implementation of jury trials.

Inputs, Outputs, Activities:

FY 2004 Program:

Legal Reform and Advocacy (\$3,008,000 FSA, \$75,000 FSA carryover). USAID's work with the judiciary will pay special attention to developing the capacity of Russian organizations. USAID's judicial reform activities will focus on judicial education and administration by funding exchanges between Russian and American judicial officials and building the capacity of Russian institutions such as the Judicial Department, the Academy of Justice, the Supreme Qualifying Collegium (SQC) and Council of Judges. These activities will be implemented in part through cooperative relationships with U.S. institutions such as the National Judicial College and the International Judicial Relations Committee of the Judicial Conference of the United States. After a successful pilot court program to encourage innovative case management and court administration procedures for possible nationwide replication, USAID is designing a follow-on program to fund assistance on carefully targeted aspects of judicial administration, court management and judicial ethics. Key members of the Russian judiciary will be trained in the application of judicial ethics norms, and publications on these topics for judicial audiences, as well as the public, will be distributed.

The legal reform program also will continue to promote new forms of legal education, and legal bar partnerships between American and Russian legal communities. These activities will continue to build constituencies for legal reform outside of the government and professionalize the legal community. Technical assistance and training that started in 2003 will continue to support the Russian Government's decision to implement jury trials nationwide.

USAID will continue its human rights program to develop the advocacy skills of civil society organizations (CSOs), improve the image of human rights CSOs among the general public, and provide access to justice through human rights law clinics. The grantees will continue this work in a total of 35 regions of Russia. Principal contractors/grantees include the American Bar Association Central and Eastern Europe Law Institute (ABA/CEELI) (prime), International Memorial (prime), Moscow Helsinki Group (prime) and new partners to be determined.

Program support (\$387,000 FSA). These funds will cover training, evaluations, studies, invitational travel and related program management costs.

FY 2005 Program:

Land Reform and Advocacy (\$2,800,000 FSA). USAID plans to continue funding for the new activity to be launched in FY 2004. It will include a component, based upon success in promoting clinical legal education, to improve the education of Russia's future lawyers to play their role under the adversarial legal system now in place. It will also support selected elements of judicial partnerships, particularly judicial ethics and court administration training. The new activity will focus on spreading best practices throughout Russia and especially the Russian Far East in particular areas through adoption by the relevant national judicial authorities. Principal partners and grantees: same as above.

Program support (\$293,000 FSA). These funds will cover training, evaluations, studies, invitational travel and related program management costs.

Performance and Results: Only ten years ago, the framework for a modern legal system was virtually non-existent in Russia. The judiciary was totally subjugated to, and dependent on, the executive branch of government. The framework of a modern legal system is largely in place today, and the judicial and legal systems play a far more important role in decision-making than formerly. USAID's assistance to the development of the judicial branch and to the legal profession has played a significant role in stimulating this development. There remain problems with selective prosecution, pressures on the judiciary that hold back its independence, and uneven application of laws and enforcement of judicial decisions.

USAID's programs have helped to empower the judiciary to push for further judicial reform. The Russian Council of Judges was more effective in formulating the needs of the judiciary and lobbying for fulfilling them. In USAID pilot courts, key innovations were introduced with the active support of the federal-level officials who set standards for the whole court system. Such innovations include random case assignment to judges; use of new law clerk positions to improve customer service; and expansion of the clerk's office's working hours to better serve the public. Judicial salaries have risen substantially, and the government has adopted an ambitious plan for increased funding for the courts through 2006, but allegations of corruption plague the system. The SQC introduced transparency for the first time into the critical process of disciplining errant judges, and published a report summarizing cases in which it removed judges from office. The Russian Council of Judges published a new draft Code of Ethics for Russian judges incorporating advice that the Council had actively sought from U.S. judges. The Code is expected to be adopted by the All-Russia Congress of Judges in 2004.

USAID's human rights activities with the Moscow Helsinki Group carried out multi-functional support of human rights CSOs in 26 regions. A network of 50 local legal clinics was created and a coalition network of 41 regional organizations was created to conduct joint public campaigns and protect social interests. CSOs in three regions strengthened their public image and advocacy capabilities. As a result of this project 186 cases were filed in courts (and 92% favorably resolved); 438 cases are ready to be filed in court; and 90 publications on forced migration problems were issued.

Data Sheet

USAID Mission:	Russia
Program Title:	Improved Local Governance and Economic Development
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	118-0231
Proposed FY 2004 Obligation:	\$2,650,000 FSA
Prior Year Unobligated:	\$85,000 FSA
Proposed FY 2005 Obligation:	\$910,000 FSA
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2005

Summary: USAID's local governance activities strengthen local self-governance and civil society by improving the decision-making skills of local governments; increasing their capacity to develop and manage financial, human and physical resources; and increasing their awareness and willingness to operate transparently and in sustained partnership with their communities. USAID's partners work in 41 municipalities in 24 regions across the country, including the Volga Federal District (VFD), the Russian Far East (RFE), Yevreyskiy autonomous region, Tomsk, Ryazan, Kaluga, Krasnoyarsk, Belgorod regions, Moscow, and St. Petersburg.

Inputs, Outputs, Activities:

FY 2004 Program:

Local Governance (\$2,340,000 FSA). In 2002-2003, Russia undertook a major review of all aspects of delineation of authority among levels of government in Russia. This triggered a national debate, the results of which may threaten the development of democracy and the environment for civil society in Russia for years to come. The first challenge is a new Law on Local Self-Governance that tends to recentralize power and is to come into effect in 2006. How the reforms actually get implemented, and their impact on municipalities, is an area of great concern as well as the source of increasing requests for USAID assistance. In particular, it is anticipated that the period of mid-2004 through 2005 will be one of enormous demand for testing proposed reforms, proposing alternatives and developing the regulatory structure to make them effective. To meet those challenges USAID will support local governance advocacy civil society organizations (CSOs) to be in the most-responsive position during this critical period. In addition, USAID will further expand these activities in the RFE.

To counter a strong trend toward re-centralization, USAID will help develop federal policies and laws that directly or indirectly strengthen institutions of local self-governance. Assistance will be provided to adopt and test local and regional legislation affected by the newly adopted law and analyze the consequences of the law for civil society institutions and community development overall.

USAID will fund replication of proven effective models of social and economic development for four types of municipalities: a large urban center, a small city, a rural settlement, and a mono-industrial area. Another area of USAID's local governance program is improvement of the system of social assistance. USAID is developing new models for local governments to better target assistance to those who are truly in need, to administer social programs more effectively, and to increase the efficiency of service delivery by contracting with local CSOs through competitive procurement mechanisms. Strengthening of grassroots CSOs, including social service providers, remains a priority for the program. Additionally, USAID will support the increase of decision-making capacities of local governments in public finance through effective budget planning tools, open budget-planning hearings and other public fora on budgetary decisions. USAID will implement and institutionalize a long-term public policy training program for officials responsible for federal and local economic and social reforms. USAID will train over 1,200 local, regional and federal officials and CSO leaders with skills and practices of public policy-making and administration. Principal contractor: The Institute of Urban Economics (IUE) (prime.)

Program Support (\$310,000 FSA, \$84,529 FSA carryover). These funds will cover training, evaluations, studies, and related program management costs.

FY 2005 Program:

Local Governance (\$700,000 FSA). USAID intends to support IUE's institutionalization as a self-sustaining think tank and a coordinating body that will serve local governments, CSOs, donor organizations and the business community after the end of USAID funding.

USAID intends to continue developing, testing and disseminating management techniques related to the enforcement of the new Law on Local Self-Governance. It plans to continue assisting municipalities and regions in making fiscal policies more open, consistent and predictable, while disseminating examples of best practices in social reforms to more regions and municipalities in Russia. USAID's objective is to institutionalize the comprehensive public policy training program with the goal of achieving full "Russianization" and sustainability by the end of the program. It is expected that the RFE will continue to be an area of increased focus.

Program Support (\$210,000 FSA.) These funds will cover training, evaluations, studies, and related program management costs.

Performance and Results: USAID, through its implementing partner IUE, initiated and played a significant role in a national-level public dialogue about proposed political and fiscal reforms. During the course of this dialogue, local community leaders, mayors and the media, actively participated in what had largely been a closed federal-level conversation. Their participation changed the nature and direction of the debate, and lower-level interests were considered more fully. Nine federal laws and regulations improving the system of housing and utility services, targeted social assistance, housing allowances, and mortgage lending have been adopted with the technical assistance of USAID.

The Code of Best Practices in Municipal Finance representing advanced instruments of public finance management was developed, widely discussed and disseminated. The system of performance management demonstrating public participation in the budget process was developed and tested in two municipalities. Over 1,400 local, regional and federal administrators were trained through eight municipal training courses, provided by USAID partners and municipal association. Fourteen demonstration projects testing housing, communal and social reform models, improving service delivery, and stimulating economic growth and public participation were disseminated to municipalities across Russia. IUE has developed an innovative welfare-to-work program that targets social support and comprehensive assistance to households suffering from unemployment in the city of Perm. The regional administration has taken this model as their own, and is now ready for planned duplication in other municipalities in the region. A method of monitoring budget expenditures that helps municipalities to monitor the progress of municipal program implementation and the quality of public services, taking into account the customers' opinion, was developed and utilized by two municipalities monitoring expenditures for urban land improvements and juvenile crime prevention.

USAID expects that by program completion, local governments will be less dependent upon the regional and federal governments, and more responsive and accountable to their constituencies, while communities will be demonstrating higher levels of satisfaction with services provided by municipalities.

Data Sheet

USAID Mission:	Russia
Program Title:	Health and Child Welfare
Pillar:	Global Health
Strategic Objective:	118-0321
Proposed FY 2004 Obligation:	\$3,000,000 CSH; \$17,500,000 FSA
Prior Year Unobligated:	\$500,000 CSH
Proposed FY 2005 Obligation:	\$3,000,000 CSH; \$17,113,000 FSA
Year of Initial Obligation:	FY 2002
Year of Final Obligation:	FY 2008

Summary: USAID's health and child welfare objective is to increase the use of the best international practices in health care and child welfare. The strategy is to adapt international guidelines, train practitioners in management and policy skills and develop interventions most appropriate for Russia. USAID works to institute grassroots changes by introducing modern systems of prevention and care as well as improving policies and regulations for infectious diseases, maternal and infant health, primary health care, and child welfare.

Inputs, Outputs, Activities:

FY 2004 Program:

Infectious Disease/HIV/AIDS (\$3,000,000 CSH, \$7,110,000 FSA). The HIV/AIDS program intends to reduce the rate of HIV/AIDS transmission in selected regions by targeting high-risk groups, promoting risk reduction among youth, fighting stigma and discrimination, and improving support programs. USAID will increase its effort to reduce transmission through a plan that includes education, counseling, and prevention programs. Models will be developed to promote healthy behavior, especially among youth, and condom social marketing campaigns will target high-risk youth as well as bridge populations. The HIV/AIDS program will also establish a strong network of counseling and testing services at HIV prevention centers. Civil society organizations' (CSO) capacity will be improved. A health care improvement activity will develop quality assurance practices by adopting evidence-based clinical standards on AIDS treatment. USAID will propose new U.S.-Russian partnerships to address HIV/AIDS prevention and care and work to influence positive policy changes concerning HIV/AIDS. A new HIV/AIDS program in the Russian Far East (RFE) will focus on prevention activities, including targeting interventions for high-risk populations, and work with the private sector for improved work place policies. Implementing partners include Population Services International (prime), American International Health Alliance (prime), International Research and Exchange Board (prime), Population Services International (prime), University Research Corporation (prime), and Trans Atlantic Partnership Against AIDS (sub).

Infectious Disease/Tuberculosis/Other ID (\$4,095,000 FSA). USAID will continue to fund World Health Organization (WHO) technical assistance to the Russian Federation including complementing the expansion of TB infrastructure under the new World Bank loan. USAID will fund technical assistance for treatment of multi-drug resistant TB and research on reducing TB and HIV co-infection, refine federal guidance on TB control, and improve national response. A CDC advisor will facilitate technical assistance. USAID programs will also work with the Russian Federal Ministry of Health on improvement of national requirements of infection control in TB facilities. USAID will reinforce the work of Ministry of Health (MOH) in combating the most dangerous infectious diseases in the RFE. Partners are WHO (prime), Center for Disease Control and Prevention (prime), International Federation of Red Cross and Red Crescent Societies (prime), and Department of Health and Human Services (prime), and a partner to be determined.

Child Welfare (\$2,000,000 FSA). USAID will continue to promote child welfare reform and the creation of a sustainable abandonment prevention system. The program will establish regional abandonment

prevention mechanisms by disseminating best practices, scaling up regional projects, and promoting public awareness. The National Society for Prevention of Cruelty to Children will be established as a national “think tank” on child welfare. The new Special Olympics activity will be closely related to the Mission’s current work to prevent child abandonment and will specifically target support to disabled children. USAID’s partner is the International Research and Exchange Board (prime).

Women’s Reproductive Health (\$3,500,000 FSA). The Maternal and Child Health Initiative (MCHI) will continue to reduce maternal and infant morbidity and mortality. Abortion rates in 10 new regions will be reduced. This program will also address maternal to child transmission (MTCT) of HIV/AIDS and sexually transmitted disease (STD) prevention and family planning. Successful MCHI and MTCT models to build capacity of health care delivery systems will be replicated. MCHI programs will introduce youth-friendly services and increase access to reproductive health information for men. Additional STD treatment and prevention activities will be conducted. Partners are John Snow Inc. (prime), Center for Disease Control and Prevention (prime).

Program Support (\$795,000 FSA). These funds will cover evaluations, monitoring of activities, studies and related program management

FY 2005 Program:

Infectious Disease/ HIV/AIDS (\$3,000,000 CSH, \$8,650,000 FSA). The numbers of CSOs working on effective HIV/AIDS prevention programs will increase and expand coverage. USAID will continue to collaborate with the CDC in research, testing, and treatment. Healthy Russia 2020 will complement this program by focusing on advocacy and education. Activities in the seven regions will shift to implementation of the new federal guidelines. Partners: same as above.

Infectious Disease/Tuberculosis/Other ID (\$3,400,000 FSA). USAID will continue work with the Department of Health and Human Services (DHHS) and continue to support WHO in their efforts to address HIV/TB co-infection and multi-drug resistant TB. The support will consist primarily of supervision, direct technical assistance and training. USAID intends to support activities combating infectious disease in the RFE. Partners: same as above.

Child Welfare (\$2,300,000 FSA). USAID will continue to be proactive in the prevention of child abandonment while developing a policy dialogue on child welfare reform. The program will start activities emphasizing abandonment prevention of children born to HIV mothers and children affected by HIV/AIDS. The program will expand its work in Russian Far East. Increased efforts will focus on public awareness and community involvement. Partners: same as above.

Women’s Reproductive Health (\$2,000,000 FSA). MCHI will continue replication of successful models. The program will continue efforts to reduce maternal and infant morbidity and mortality as well as abortion rates in ten regions. Newly developed protocols and internationally recognized standards will be integrated into medical school educational materials. Partners: same as above.

Program Support (\$762,780 FSA). These funds will be used for the same areas as FY 2004 funds.

Performance and Results: MCH practices in 42 maternity hospitals in Tver region reduced maternal deaths to zero and neo-natal mortality from respiratory distress by 64%. Maternal and infant health programs achieved significant impact in two pilot regions with a 7% decrease in abortion rates, an increase in the exclusive breastfeeding rate to 73% and a two-fold increase in family planning counseling. The MOH asked USAID to replicate its successful models in other regions. USAID received Ministry approval for a protocol of multi-drug resistant TB treatment. A modern TB control system in seven regions of the Russian Federation resulted in an increase of successful treatments. As a result of USAID’s ongoing HIV/AIDS public awareness campaigns, two pilot sites reported a dramatic drop in risky behavior including a significant increase in condom use. The number of respondents who chose to delay the onset of sex has doubled. In child welfare, more than 1,700 children remained in families as a result of preservation and reunification programs. The federal program “Children of Russia” now uses innovative child welfare models developed under USAID-funded activities.

Data Sheet

USAID Mission:	Russia
Program Title:	Special Initiatives
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	118-0410
Proposed FY 2004 Obligation:	\$12,000,000 FSA
Prior Year Unobligated:	\$0
Proposed FY 2005 Obligation:	\$11,000,000 FSA
Year of Initial Obligation:	FY1999
Year of Final Obligation:	FY 2005

Summary: USAID provides financial support for The U.S.-Russia Investment Fund (Fund or TUSRIF).

Inputs, Outputs, Activities:

FY 2004 Program:

U.S.-Russia Investment Fund (\$12,000,000 FSA). USAID will finance TUSRIF in order to provide a variety of investments and financial services for the Russian market. To date USAID has provided a total of \$316 million in funding. The Fund will continue to have offices in Moscow, Yekaterinburg (Urals), Khabarovsk, Yuzhno-Sakhalinsk, Vladivostok (Russian Far East), Rostov-on-Don (Southeast Russia), and St. Petersburg (Northwest Russia). The direct equity investment program of the Fund will continue to focus on investments in consumer products and the telecommunications, media, technology and financial services sectors because of these sectors' profitability and growth as the Russian economy grows. The four financial services sector subsidiaries created under the Delta brand name by the Fund will provide a variety of financial services to consumers and small and medium-size businesses. Delta Credit Bank will provide residential mortgages. Delta Bank will provide consumer finance and credit cards. Delta Leasing and DeltaLease Far East will continue to provide business equipment lease financing for small and medium-size businesses. TUSRIF will continue to actively manage its equity portfolio, and seek to liquidate its investments as opportunities emerge to exit profitably. It is actively seeking private investors to augment and ultimately replace U.S. Government financing. Principal implementer is The U.S.-Russia Investment Fund, managed by Delta Capital.

FY 2005 Program:

The U.S.-Russia Investment Fund (\$11,000,000). USAID intends to continue financial support for the Fund to pursue profitable investments and provide financial services that fill a need in the Russian market, while seeking to raise private capital. Principal implementer: same as above.

Performance and Results: Equity financing of \$282 million was provided to 43 firms that employ approximately 20,000 people. The Fund and the 33 private banks in its Bank Partner Program have funded \$55 million in loans to 2,500 small businesses. TUSRIF provided \$12 million in technical assistance to improve the operations and accountability of companies as well as to improve the private sector policy environment in Russia. About \$407 million in joint-venture funding has also been attracted for investments in 33 of the Fund's companies. The Fund's four financial sector subsidiaries have raised \$70.0 million in third party debt financing to expand their programs from sources such as the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), and Overseas Private Investment Corporation (OPIC). TUSRIF is in the process of raising a private fund that may conclude the first round of financing in the next few months.

Since 2001, TUSRIF has experienced considerable liquidity in its portfolio of companies with a number of profitable exits from investments. In 2003, the growing success of Delta Leasing resulted in a management buy-out of this business with a 40% internal rate of return on this investment for the Fund.

Data Sheet

USAID Mission:	Russia
Program Title:	Cross-Cutting Programs
Pillar:	Global Development Alliance
Strategic Objective:	118-0420
Proposed FY 2004 Obligation:	\$11,285,000 FSA
Prior Year Unobligated:	\$445,000 FSA
Proposed FY 2005 Obligation:	\$9,586,000 FSA
Year of Initial Obligation:	FY 2001
Year of Final Obligation:	FY 2007

Summary: USAID's cross-cutting programs include U.S.-Russian Far East (RFE) partnerships in support of all of USAID/Russia's programs in the RFE; financial support for the Eurasia Foundation's projects in civil society and private sector development; and program monitoring, evaluations and surveys.

Inputs, Outputs, Activities:

FY 2004 Program:

Cross-cutting programs (\$1,585,000 FSA). U.S.- RFE Partnerships Program will continue grant-making and technical assistance to promote U.S. West Coast and RFE collaboration and the integration of the RFE into the Pacific Rim. Thirty-two partnerships between U.S. and RFE communities will undertake joint projects in such strategic areas as rule of law, environmental advocacy, SME development, good governance and social and economic infrastructure development. A new component replicating the activities of the most successful partnership programs will be introduced in FY 2004. USAID's implementing partner is the Foundation of Russian American Economic Cooperation (prime).

The Eurasia Foundation (\$9,000,000 FSA). To strengthen the ability of civil society to play a productive and relevant role in Russia, the Eurasia Foundation will fund projects in the areas of civil/economic rights, philanthropy, innovations in social service delivery and youth activism. In order to bolster the capacity of independent regional media outlets to provide quality, objective information, Eurasia will promote better business practices in the media sector, improve the quality of media products and help forge horizontal professional networks. To improve local government, Eurasia will support projects in the areas of housing reform, strategic planning and project evaluation and monitoring. Eurasia will also support a small number of projects in higher education management aimed at improving the quality and efficiency of regional universities in Russia and their ability to serve as vehicles for community development. Eurasia will also support a modest program to promote identification and dissemination of 'best practices' across the Russian Federation. In response to requests from USAID, Eurasia has begun reducing its support for the development of small business in Russia and will support only a small number of projects in the areas of micro-finance, science as business, and housing reform. The Eurasia Foundation continues to place special emphasis on the Russian Far East and maintains a grant-making office in Vladivostok, along with its Moscow and Saratov offices. In 2004, the Eurasia Foundation aims to complete its transformation into Russia's first international caliber foundation. USAID's implementing partner is the Eurasia Foundation.

Program Development and Support (\$400,000 FSA, \$374,776 FSA carryover, \$70,000 FSA prior year recoveries). Evaluations, assessments and studies will assess and document program impact, identify implementation issues, make recommendations for their resolution and improve understanding of Russia's development challenges.

Program Management (\$300,000 FSA). These funds will cover program management costs.

FY 2005 Program:

Cross-cutting programs (\$600,000 FSA). USAID intends to support activities to disseminate lessons learned and a roll-out of partnership activities. Additionally, USAID plans to support environment advocacy CSOs in the Russian Far East.

The Eurasia Foundation (\$8,000,000). The Eurasia Foundation intends to create a legacy grant-making institution that will serve as a legacy non-government mechanism for supporting the civil society sector in the future. It has requested funds for three years, beginning in FY 2004, to capitalize that entity and expects that other donors will step in to fund this institution as well. It expects to launch the new entity in 2004.

Program Development and Support (\$700,000 FSA). USAID plans to conduct studies, assessment, and related activities for program design and evaluation.

Program Management. (\$286,220 FSA). These funds will cover program management costs.

Performance and Results: In 2003, 38 U.S.-Russian partnerships exposed Russians to new approaches to problem-solving, building citizen-to-citizen ties and disseminating successful approaches to other communities. Nineteen Russian-to-Russian partnerships in the Volga Federal District (VFD) started replication of best practices and models developed during their collaboration with American organizations. USAID funding was instrumental in improving organizational capacity of partner organizations and indigenous CSOs in the RFE and VFD, increasing networking and sharing of lessons learned and enhancing the sustainability of U.S.-Russian partnerships. With USAID's funding, the Eurasia Foundation expanded the use of strategic planning and evaluation by municipal governments and citizen groups; made grants to Russian business associations to develop capacity to advocate for reform; and expanded its support for independent media as viable business enterprises. Eurasia continues to play an important role in developing Russia's private foundation sector through its grant programs, by working with other organizations to address constraints to foundations, and by diversifying its own source of funds. In a groundbreaking agreement, Eurasia received a grant from a Russian foundation and was asked by the Russian president's representative in the Volga Federal District to manage a small grants program.