



National Indicative Programme 2007-2010

RUSSIAN FEDERATION

<u>Country:</u>	Russian Federation
<u>Instrument:</u>	ENPI
<u>Legal Base:</u>	ENPI Regulation
<u>Cost of order:</u>	€120m
<u>Programming service:</u>	DG RELEX E1
<u>Head of Unit:</u>	Gunnar WIEGAND
<u>Coordinator:</u>	Nadia COSTANTINI

TABLE OF CONTENTS

1.	INTRODUCTION	3
2.	MAIN PRIORITIES AND GOALS	3
3.	INDICATIVE BUDGET	4
4.	PRIORITIES AND ACTIONS	4
4.1.	PRIORITY AREA I: Support for the implementation of the roadmaps	4
4.1.1.	Sub-priority (i): the Common Economic Space	5
4.1.2.	Sub-priority (ii): the Common Space of Freedom, Security and Justice	6
4.1.3.	Sub-priority (iii): the Common Space of External Security	7
4.1.4.	Sub-priority (iv): the Common Space of Research and Education, and Culture	7
4.2.	PRIORITY AREA II: Kaliningrad Oblast	10
5.	RISKS AND ASSUMPTIONS	11
6.	IMPLEMENTATION	12
7.	ALIGNMENT, HARMONISATION AND CONSULTATION	12
7.1.	Dialogue with the Government and alignment with national policies	12
7.2.	Harmonisation and coordination with Member States, other donors, and civil society ...	13
Annex:	<i>Activities to be funded under Priority Area I</i>	

1) INTRODUCTION

The Russian economy has seen a surge of growth at annual rates of 6-7% since the turn of the 21st century. Russia's debt exposure is being progressively reduced and the Government currently enjoys a significant budget surplus. Under the new financial perspectives the EC's national programme for Russia is to be scaled down.

The policy goals enshrined in the four Common Spaces provide the framework for a true partnership. The associated roadmaps set out the specific objectives of this partnership and the actions to be undertaken to meet them. Financial cooperation with Russia through the national action programme in the period 2007-2010 must respond to, and focus on the Common Spaces and road maps. It must be clearly and explicitly policy-driven.

The National Indicative Programme is intended to guide the planning and identification of financial cooperation with Russia according to a number of Priority Areas. The national allocation will be therefore be dedicated in the main to a closely-focussed, demand-led programme intended to further roadmap objectives identified as priorities for financial support. Priorities will emerge from dialogue and discussion with Russia in the context of the Common Spaces. The activities listed in annex are intended as illustrations of the types and range of activities that may be selected for funding.

A certain proportion of the programme will be allocated to recovery/development and security objectives – through more classical resource transfer/investment.

2) MAIN PRIORITIES AND GOALS

The overriding objective of EC financial cooperation with Russia for the forthcoming period is to strengthen the strategic partnership between the EU and Russia across the broadest range of policy domains.

The principal goal will be that of supporting judiciously-selected actions intended to further the policy agenda set out under the Common Spaces.

- The objective of the Common Economic Space is the establishment of an open and integrated market between the EU and Russia.
- The objective of the Common Space of Freedom, Security and Justice is to facilitate ease of movement between the EU and Russia, in particular for business, travel and tourism, within a context free of terrorist threat, organised crime and corruption.
- As far as concerns the Common Space of External Security, the objective is to strengthen cooperation on security and crisis management in order to address global and regional challenges and the key threats of today, notably terrorism, the proliferation of WMD, and existing or potential regional and local conflict.
- For the Common Space of Research and Education, and Culture, the overall objective is to create and reinforce bonds between the EU and Russian research and education communities and to build on a shared cultural and intellectual heritage.

In partnership with the authorities and in respect of Russian sovereignty, the objective of EC financial

cooperation is also – when applicable - to support the stabilisation, recovery and ultimately the development of specific regions.

Because surrounded by EU Member States, the EU also maintains a particular interest in the Kaliningrad Oblast. The objective of financial cooperation is to ensure that the potential for socio-economic development of Kaliningrad and the surrounding region is fulfilled.

3) INDICATIVE BUDGET

It is expected that the allocation to be made by the EC for the Russia national action programme for the period 2007-2010 will be €30m *per annum*.

DOMAINS OF INTERVENTION

PRIORITY AREA I: Support for the implementation of the

80-90%

roadmaps

Common Economic Space

Common Space of Freedom, Security and Justice

Common Space of External Security

Common Space of Research and Education, and Culture

Support to selected regions

PRIORITY AREA II: Kaliningrad Oblast

10-20%

4) PRIORITIES AND ACTIONS

a) PRIORITY AREA I: Support for the implementation of the roadmaps

Given the modest funding available, it is clear that only a limited selection of the wide range of objectives associated with the roadmaps¹ can be tackled through financial cooperation; there can be no one-to-one correspondence between roadmap objectives and the allocation of financial cooperation. On the other hand, it is not possible to set out at this stage which of the objectives will be selected for funding support. This will depend on dialogue within the framework of the Common Spaces and according to policy priorities as they emerge. As the accompanying Country Strategy Paper makes clear, ‘decisions on actions to be funded will arise from dialogue between the Commission and Russian Government over which specific policy objectives under the Common Spaces should be supported’, and on how most effectively this can be done. In any case, the Russian side has rejected the idea of deciding in advance on the prioritisation of objectives.

This Section does not therefore isolate roadmap objectives for funding support, or seek to establish a hierarchy between them. In this respect, the Section does not resemble a classic programming document. Rather, it provides a summary of the objectives

¹ A full account of the objectives associated with the roadmaps can be found at http://europa.eu.int/comm/external_relations/russia/intro/index.htm#comm (this web page providing the fuller version of Annex 2 to the Country Strategy Paper).

contained in the roadmaps and of the results that might be expected from tackling these objectives.

In general terms, actions to be funded will include any that promote cooperation, partnerships and joint undertakings, dialogue, exchange and other initiatives intended to meet these objectives and thus to bolster or deepen the strategic partnership between the EU and Russia.

Specific objectives and detailed results and indicators of such actions will be worked out in detail at the identification and design stage.

The involvement of civil society in financial cooperation can help underpin the development of the Common Spaces.

i) Sub-priority (i): the Common Economic Space

The National Indicative Programme is intended, quite explicitly, to support joint policies set out by both sides to reinforce the strategic partnership between the EU and Russia. The Common Economic Space forms a central plank of that partnership.

Specific objectives

The general objective of the establishment of an open and integrated market between the EU and Russia gives rise to a range of more specific goals, including:

- bringing down barriers to trade and investment, trade facilitation (including customs aspects);
- enhancing the competitiveness of EU and Russian enterprise;
- enhanced cooperation on energy, energy efficiency and transport;
- protection of the environment, including against radiation, and maritime safety;
- tackling climate change, in particular through the Kyoto Protocol;
- furtherance of the principles of non-discrimination, transparency and good governance through the promotion of political and economic reform;
- cooperation in outer space (including satellite navigation);
- measures to support regional development, notably in areas with an urgent need to recovery.

Results

It would be expected that financial support in this area could potentially further the integration of the Russian and EU economies across virtually all sectors, including notably energy and transport. It is also expected that actions would contribute to political and economic reform in Russia, as well as to job creation and social cohesion encouraged by such reform. A further intended result would be that of strengthened cooperation on environmental matters, extending to a fuller implementation of the Kyoto Protocol, as well as on activities in outer space.

ii) Sub-priority (ii): the Common Space of Freedom, Security and Justice

The National Indicative Programme is intended, quite explicitly, to support joint policies set out by both sides, intended to reinforce the strategic partnership between the EU and Russia. The Common Space of Freedom, Security and Justice forms a second plank of that partnership. Significant attention has been paid by both sides to the development of the Common Space of Security, Freedom and Justice in recent years. However, less funding has been devoted to projects relevant to this Space. It is proposed that significant effort is made to support this road map, although funding should not be superfluous to efforts made under regional thematic programmes.

Specific objectives

The general objective of facilitating ease of movement between the EU and Russia, in particular for business, travel and tourism, all within a secure context, gives rise to a range of more specific goals, including:

- cooperation on combating terrorism and trans-national organised crime, including money laundering, drugs (both supply and demand reduction), smuggling, trafficking in human beings and corruption;
- improved border and migration management, including improving the effectiveness of the asylum system, travel document security and biometrics;
- strengthening of judicial cooperation in civil and criminal matters including reform of the Russian judicial system;
- the establishment of a mutual visa-free travel régime as a long-term perspective.

Results

It would be expected that cooperation in this area would result in freer contacts between EU and Russian citizens for business, official travel and tourism, together with fairer registration procedures. Cooperation would also contribute to more secure relations in which terrorism, organised crime, drugs and corruption are effectively tackled. Further, it would be expected that cooperation would help consolidate respect for human rights and fundamental freedoms, democracy, the rule of law and political reform in general.

iii) Sub-priority (iii): the Common Space of External Security

The National Indicative Programme is intended, quite explicitly, to support joint policies set out by both sides, intended to reinforce the strategic partnership between the EU and Russia. The Common Space of External Security forms a further plank of that partnership. Relatively little funding has been devoted to the Common Space of External Security in the past. The funding of activities to underpin dialogue on security issues between the EU and Russia would require careful coordination with the authorities. It would clearly be in the interests of both parties - particularly in the context of efforts to reduce the threat against terrorism.

Specific objectives

The general objective of countering the key threats of terrorism, the proliferation of WMD, and current or potential regional and local conflict, gives rise to a range of more specific goals, including:

- strengthened cooperation on security and crisis management;
- cooperation in the interests of the greater effectiveness and universalisation of multilateral disarmament, arms control and non-proliferation regimes;
- the securing of stability in regions adjacent to the Russian and EU borders.

Results

If cooperation is successful, a more visible and effective EU-Russian cooperation would be noted, in the region and internationally, on issues of regional stability, for multilateral efforts to tackle key threats to international security, and more generally in the interests of an international order based on effective multilateralism. Cooperation would therefore promote the role of the UN internationally, and the regional mandates of the OSCE and Council of Europe.

iv) Sub-priority (iv): the Common Space of Research and Education, and Culture

The National Indicative Programme is intended, quite explicitly, to support joint policies set out by both sides, intended to reinforce the strategic partnership between the EU and Russia. The Common Space of Research and Education, and Culture forms the final plank of that partnership.

Russia emphasises the importance of increasing contact between the Russian people and the citizens of the EU, and thus places great emphasis on peer-to-peer cooperation and people-to-people contact as an important aspect of financial cooperation. Indeed, the demand for partnership can perhaps most immediately be satisfied along the road to the Common Space of Research and Education, and Culture, and the opportunity exists, through increased Russian participation in a number of Community programmes, to put such cooperation on a more stable footing than through discrete projects.

Specific objectives

The general objective of creating and reinforcing bonds between the EU and

Russian research and education communities, and building on a shared cultural and intellectual heritage, gives rise to a range of more specific goals, including:

- reinforcing links between EU and Russian research and education communities by building on Russian participation in EU R&D activities - including in areas of relevance to the Common Spaces - and in university exchange;
- reinforcing links between research and innovation;
- increased cooperation in the field of non-formal education for young people;
- increased cooperation in the audiovisual and cultural field;
- the successful operation of a jointly-funded European Studies Institute.

Results

Amongst the results that might be expected from cooperation under this Common Space might be increased Russian participation in the Framework Programme; cooperation should help strengthen the link between research and innovation, with both sides identifying key measures to promote economic growth and strengthen the competitiveness of EU-Russian enterprise, amongst other goals. Cooperation should also lead to increased student and academic exchange, as well as an increased level of exchanges and activities among young people outside of formal education. In the cultural field, increased contacts would be intended to promote the mutual knowledge of and respect for what is a shared, yet diverse cultural and linguistic diversity.

The European Studies Institute will create a high-level, yet unofficial forum in which prospects for a further deepening of relations between the EU and Russia across all these areas, as well as those covered under the other Common Spaces, can be further explored.

Indicative activities to be funded under Priority Area I are listed at Annex.

b) PRIORITY AREA II: Kaliningrad Oblast

There has been some fear, in particular since the expansion of the EU in May 2004, that Kaliningrad may hold back the development of the Baltic region of the EU. The danger perceived is that an Oblast isolated from surrounding countries and experiencing slow economic growth – particularly once Poland and Lithuania start implementing substantial EU structural funds in 2007 - may become a centre for organised crime, corruption and smuggling. This would hold back the steady economic development of the wider region, at worst threatening EU operators and even regional stability. A further concern is the degradation of the environment in the Oblast – particularly of water resources - also with consequences for surrounding areas.

Nevertheless, given recent signs that economic growth of Kaliningrad is picking up, and indicators in general improving, it may turn out to be desirable – in agreement with the federal authorities - to limit the funding earmarked for Kaliningrad out of the national allocation, towards the lower figure of the range indicated.

Specific objectives

Given the limited amount of funding available for Kaliningrad under the national allocation, specific objectives will be limited to a reduction in corruption and organised crime, the improved governance of Kaliningrad, and the improvement of the

environment, both within and beyond the Oblast. Some attention may be given to what have been alarming health issues.

Results

The intended result of modest interventions in Kaliningrad would be that orthodox economic operators, both Russian and EU, are more willing to invest in, and trade through Kaliningrad. Environmental management, and ultimately environmental indicators, might show some improvement. Various economic and socio-economic indicators might also be expected to move in the right direction.

Activities

An indicative list would include policy advice and institutional/capacity-building support for:

- anti-corruption measures, and the fight against organised crime;
- good governance;
- environmental protection;
- health policy.

Support could be extended to civil society actors active in Kaliningrad, as well as to the authorities themselves. The possibility of a sector-wide programme for Kaliningrad will be explored.

Indicators

Detailed indicators will be worked out at project design stage. However, indicators such as the following would be expected to be taken into account:

- improved standing of the Oblast in intra-Russia corruption ranking and a reduction in the size of the black economy;
- a reduction in criminality rates;
- improved water quality;
- improved health outcomes in Kaliningrad Oblast.

5) RISKS AND ASSUMPTIONS

The roadmaps for the Common Spaces have been signed relatively recently. A number of dialogues are ongoing with the Russian side, and contacts at all levels have been established, and are developing across the policy areas covered by the Common Spaces. Where progress is slow or faltering, the more formal fora available in the framework of the Partnership and Cooperation Agreement can be activated to lend added impetus to cooperation. There are numerous opportunities at political level over the course of the year for taking stock of progress towards the Common Spaces, including at twice yearly Summits. Barring unforeseen political developments, it can safely be imagined that both sides will remain committed to the roadmaps lying at the heart of the National Indicative Programme, at least for the period in question.

It is assumed that indicators for socio-economic development in Kaliningrad will continue to improve, and that progress will be made on the anti-corruption and in the fight against organised crime. Otherwise it might become necessary to revisit the assumption that funding earmarked for the Oblast can be kept towards the lower figure of the range indicated.

To a certain extent financial cooperation must be reactive. And despite the roadmaps, political priorities may shift over time and the emergence of new priorities cannot be ruled out. However, to be too reactive would risk the dispersion of activities in the context of very limited funding. The existence of a standing, secretariat-type structure or structures within the administration, established to advise on how to make financial cooperation in support of the Common Spaces as effective as possible and to reach agreement with the Commission on such questions, could help ensure discipline and ensure that sectoral priorities are maintained.

6) IMPLEMENTATION

The general principle underlying the programme is partnership for the achievement of joint policy objectives. The Russian counterparts will be drawn as far as possible into the design of interventions, thus cementing the link between joint policy objectives and financial cooperation. Emphasis will be placed on exploring ways in which the Russian side should demonstrate their commitment to financial cooperation, in particular through the co-funding of actions.

While detailed implementation mechanisms will be worked out on an action-by-action basis, programmes should in general contain a limited number of components with in-built flexibility in order that implementation can be readily adapted to evolving policy priorities. It is anticipated that instruments such as TAIEX or twinning, which have recently been extended to Russia, will be particularly useful to help meet many of the objectives contained in the Common Spaces roadmaps, and should be fully exploited. Support for sector programmes, including the use of pool funding, will be encouraged wherever the necessary conditions are met. Were too many small, stand-alone actions to be undertaken, this would risk administrative overload and delayed implementation in general. Russia may receive support for participation in Community programmes, agencies and networks, in so far as these are open to the country.

In certain, limited cases it may be appropriate to fund interest rate subsidies in order to leverage investments by IFIs in projects of key importance to the strategic partnership, particularly in the environment, energy and transport sectors.

An appropriate mechanism will be identified to involve civil society in helping to meet the objectives contained in the Programme.

7) ALIGNMENT, HARMONISATION AND CONSULTATION

a) Dialogue with the Government and alignment with national policies

The objectives set out under the Common Spaces were agreed formally by the two sides as a basis for a strategic partnership in 2003, with agreements to the roadmaps following in May 2005. The roadmaps set out in some detail what should be the specific objectives of this partnership and the actions to be undertaken to meet them.

Consultations with the federal authorities on this Programme began in earnest in the early Summer of 2005, through the Delegation. DG RELEX undertook a follow-up programming mission in October, during which the National Contracting Unit was consulted. The Russian side indicated their broad agreement to the shape of the Programme proposed. It was noted that the Programme is based around the four Common Spaces. EU concern for Kaliningrad was also acknowledged, once again, during the programming mission. The Programme is designed explicitly to respond to joint policy concerns as they emerge from dialogue, contact and negotiation under the Common Spaces, and to be as flexible and demand-led as possible.

Emphasis will be placed, as far as possible, on systematic, sector-wide policy dialogue, planning and coordination. Sector/sub-sector support will be provided as far as feasible.

b) Harmonisation and coordination with Member States, other donors, and civil society

Member States were briefed, and invited to comment on the Programme at a special meeting held during the RELEX programming mission in October 2005. There have been contacts in Moscow and in Brussels with several other organisations (EIB, EBRD, World Bank).

The Delegation entertains frequent and continuing contacts with those Member States and other donor organisations – including civil society organisations – with financial cooperation programmes with Russia. The views of non-state actors will be sought on the shape that the Programme should take, as well as the Member States and other donors.

In the spirit of the Paris Declaration on Harmonisation and Aid Effectiveness – signed by the European Commission, Member States and Russia alike - attention will need to be paid to donor coordination, particularly if it is agreed that sector-wide support should feature in the programme. Coordination, both upstream and downstream, can assist in achieving true complementarity and coherence: in terms of selecting and of planning interventions, more rigorous context analysis could be achieved by making more use of economic analysis performed by Russia, by specialist international organisations and EU Member States, in complement to analysis performed by the Commission itself (and to the point where possible of joint analysis, diagnosis and planning). Downstream, significant consensus will need to be achieved in terms of performance monitoring.

Annex**Indicative list of activities to be funded under Priority Area I**

The Common Spaces are designed to engender EU-Russian cooperation across what are extremely broad policy areas. While actions to be funded under Priority Area I will respond to the roadmaps, it is too early to define which areas will be prioritised; much depends on the progress of the various dialogues and contacts between the two sides. Activities suggested in this annex are given by way of example. They should be understood as indicative and non-exhaustive, and in no way intended to preclude activities that would reasonably contribute to the implementation of the Common Spaces.

A secretariat-type structure(s) attached to the federal (and/or regional) authorities may be established, in order to foster dialogue with the Government and between donors across one or several sectors, and to provide packages of policy support and advice on demand.

Common Economic Space

TACIS interventions in recent years have been concentrated on areas that are now associated with the Common Economic Space. It is not expected that funding under the 2007-2010 Programme will be allocated in direct support of the Russian private sector or for credit development. And while transport may require more sustained public sector support, EU-Russian cooperation in a number of other areas – in particular energy and telecommunications – should be self-financing. The federal authorities have signalled that continuing advice for general public administration reform, as well as assistance for the social sectors, are now less relevant.

The environment should figure more prominently under the 2007-2010 Programme than it did under TACIS, with support also provided to civil society environmental organisations to complement actions funded in cooperation with official institutions. Following Russia's ratification of the Kyoto Protocol, actions intended to tackle climate change are of greater joint concern than ever (implementation of the Protocol, adaptation policy and measures, domestic emissions trading).

A range of policy advice and institutional/capacity-building support, particularly as designed to achieve specific policy outcomes, is therefore recommended in the following areas in particular:

- climate change projects (greenhouse gas emissions/trading, monitoring and reporting, Kyoto mechanisms, adaptation capacity, long-term thinking), cleaner production, energy efficiency and downstream policy/diversification, the hydrogen economy (given appropriate support, the Energy Technology Centre and other innovation centres could act as a catalyst or platform for technological advances; EBRD's increasing interest in energy efficiency is also acknowledged);
- cross-boundary pollution and environmental issues in general (could include institutional support to the Russian Regional Environmental Centre to the extent that its work programme reflects actions recommended under the road map; plus support to Russian leadership role in the Forest Law Enforcement and Governance process, to complement funding provided under the regional programme);
- convergence of environmental legislation, especially in order to promote correlation with EU climate policy;
- support for activities envisaged in the final report of the High Level Group on the extension of the major trans-European transport axes;

- support to stimulate investment in infrastructure and cooperation in general in the maritime, rail and aviation sectors in particular (the latter subject to a satisfactory solution of the Siberian overflights issue);
- to stimulate industrial cooperation on energy, energy efficiency, downstream policy and diversification, and in telecommunications, aeronautics and outer space activities;
- support to other, new dialogues established under the Common Economic Space;
- corporate governance and accounting standards (of particular and continuing concern in EU-Russia business relations), including Basle II requirements and to support implementation of the recently-established banking and accounting strategies;
- general issues of public administration reform, particularly for improving the investment climate/concessions policy, the 'external aspects' of the internal market (regulatory policy, investment issues, competition, IPRs, financial services, telecommunications, etc.), trade-related assistance (including customs)²;
- measures to support regional development, notably in areas with an urgent need to recovery.

Common Space of Freedom, Security and Justice

Policy advice and institutional/capacity-building support, particularly as designed to achieve specific policy outcomes and closer cooperation:

- in the fight against organised crime and other illegal activities of a cross-border nature, particularly in those areas not having received funding and/or identified as priority (counter-terrorism, cyber-crime including child pornography, document security, the fight against drugs trafficking, and drug demand reduction);
- for border management and migration/asylum issues, particularly following the conclusion in October 2005 of the EU-Russia agreement on visa facilitation and readmission (through for example projects designed to increase cooperation between the European border management agencies (eg. Frontex) and the Russian Federal Border Security Service);
- on civil and criminal judicial matters, including with Eurojust;
- on police cooperation between Russian and European security and police services, including Europol;
- in the fight against corruption.

Support to civil society, more specifically for:

- projects proposed to bolster the fight against organised crime and corruption, to foster judicial reform and campaign against corruption;
- promoting the Russian goal of deepening respect for democracy and the rule of law throughout the Federation, including through joint initiatives with regional administrations;
- reinforcing the general institutional and management capacity of civil society organisations (eg. for advising Russian organisations on dealing with international grant-making organisations, on the development of public relations skills, on conducting their activities in full respect of fiscal and other Russian law; on networking);

²

The Commission recommends that a needs analysis be performed for trade policy and trade promotion prior to undertaking further trade-related assistance in Russia, in view of the significant support already provided in this area under TACIS.

- enhancing the role of the media in public life.

Common Space of External Security

Policy advice and institutional support for:

- compliance with, and the implementation of international norms and conventions against the proliferation of Weapons of Mass Destruction or related materials;
- good governance and law enforcement and for dealing with the effects of conflict in troubled regions;
- cooperation in the field of civil protection (especially as regards the implementation of the administrative arrangement between the EC's Monitoring and Information Centre and its Russian counterpart Operations Centre, case-by-case participation of experts in specific technical workshops and symposia, and of observers in specific exercises organized by the EU or Russia).

Common Space of Research and Education, and Culture

Policy advice and institutional support in the interests of:

- cooperation between EU and Russian researchers, research institutions and industry partners;
- the increased compatibility between educational institutions and systems of lifelong learning;
- exchange programmes with Russian civil servants, at federal, regional and/or local levels;
- a second phase of support for the European Studies Institute;
- cooperation in the cultural and audiovisual fields;
- increased Russian participation in a range of Community programmes (eg. the Seventh Framework Programme, Erasmus Mundus, Youth programmes).

In general in order to participate in Community programmes, Russia would be expected to provide its share of funding; this obligation could be lightened through EC funding provided out of the national allocation.

Indicators

Detailed indicators will be worked out in the preparation of sector-wide support or individual projects proposed.