

# Country strategy for development cooperation

## Russia

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REGERINGSKANSLIET

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*Department for Central and Eastern Europe*

## **COUNTRY STRATEGY FOR DEVELOPMENT COOPERATION WITH RUSSIA 2002 - 2004**

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### **1. INTRODUCTION**

The Swedish Government has decided to adopt a country strategy for development cooperation with Russia, as with other priority countries in Central and Eastern Europe. The country strategy for Russia will determine the course of Swedish development cooperation with Russia during the period 2002-2004. The strategy is based on proposals from the Swedish International Development Cooperation Agency (Sida), supplemented by the Ministry for Foreign Affairs' own considerations, the views of other ministries engaged in development cooperation with Russia, and the priorities identified in the course of ongoing cooperation with Swedish counterparts as well as during the talks held in Moscow and St Petersburg on 24-26 June 2002.

### **2. REFORM POLICY**

The Russian reform process has accelerated in recent years. A cornerstone of this policy is a wide-ranging programme of economic reforms, known as the Gref Programme. New fiscal legislation has entered into force. A pension reform is under way. A far-reaching land reform programme was recently set in motion. An educational reform has also been launched. Reforms of the municipal social security system, the social transfer system and the Russian defence system are at hand, but continue to be delayed by some significant resistance to change in certain quarters. A judicial reform has also been initiated.

The central government authorities are at present engaged in intensive efforts to introduce legislation in support of the continuing reform process. Over 3,000 new laws and law amendments have been approved in recent years by the State Duma, the lower house of the Russian parliament, in virtually all spheres of public life.

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As yet, however, the bodies responsible for administering justice in Russia do not seem fully able to provide the support needed in a society governed by the rule of law. Major deficiencies are to be found in the operations of the country's police and public prosecution authorities, courts and prisons, and organised crime increased substantially during the 1990s.

Under the current presidential administration, executive power has shifted to the capital and to the federal level at the expense of the regional levels. Presidential representatives have been installed in seven federal districts around the country and their primary task is to coordinate the activities of the federal bodies in each respective area. Meanwhile, the Federation Council (upper house of the Russian parliament), which represents the country's regions, has been accorded a less independent role than before.

The government is currently introducing a comprehensive administrative reform. The aim is to adapt the various functions of Russian public administration to the country's new social and economic order, and to ensure that its players have well-defined and rational administrative roles. The reform is also meant to generate efficient methods for professional development and a legal basis for administrative work. The government has invited the country's aid donors to support this administrative reform. The reform programme is to be closely coordinated with other planned reforms, primarily that of the Russian defence – which is to be transformed into a professional defence force and be substantially reduced in size – and the current reform of the judicial system.

Macro economic progress in Russia has been substantial in recent years and growth is now showing the same positive trend as in the post-1995 period. The decline that followed the financial crisis of August 1998 was dramatic but less persistent than many had expected. The production curve began to point upwards again as early as 1999. In total, Russian GDP rose by over 20 per cent in 1999-2001.

In order to maintain growth, Russia needs a great deal of domestic and foreign investment. Volumes hitherto, however, have remained small. Foreign investment per capita in 1999 was a tenth that of Hungary, while domestic investment, in proportion to GDP, was a third of the Hungarian rate. The latter figure may partially be attributed to flight of capital, while the former reflects a lack of faith among foreign investors in the country's investment prospects. In a survey, Swedish companies have identified inconsistent and ambivalent Russian legislation and the country's system of customs and border checks as the greatest obstacles to investment. Small and medium-sized companies operate under difficult conditions in Russia. The government is currently seeking to reduce the numerous permits and requirements that the companies have to deal with. In 2001, Russia fell from 63rd to 75th place in the Global Competitiveness Report.

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The country's strong recovery over the past three years boosted real wages to an average level corresponding to SEK 1,150 per month in 2001. Real wages have thus recovered somewhat from their bottom level of 1999. Employment has also increased over the past three years, and the unemployment rate is now officially estimated - applying ILO criteria - at 9 per cent. This figure, however, conceals a substantial level of hidden unemployment and under-employment, due in part to an unusually low degree of labour mobility. This lack of mobility is in turn due to the fact that a significant share of people's wages are often paid in kind, in the form of heavily subsidised housing etc, and that numerous employers have fallen behind with their wage payments, in some cases by several months. Moving elsewhere is thus prohibitively expensive for the individual employee. At the same time, the grey/black economy employs a large number of people who do not appear in the statistics. Lack of efficiency in the employment market is a serious obstacle to the restructuring of Russian trade and industry.

Corruption represents a crucial problem in the reform process. It has an adverse economic and moral effect on the population, in which distrust of the state and its intentions is widespread. It also deters foreign investors, which impedes economic growth. In 2002, Transparency International ranked Russia as one of the 30 most corrupt nations in its Corruption Perception Index. This, however, marks an improvement on the previous year. A number of central government players are actively engaged in the fight against corruption.

The social transfer system is still fundamentally Soviet in character and is generally based on earnings rather than needs. Also, the proportion of households entitled to social benefit but not receiving it is larger among the poor, while the proportion of households receiving benefit without being entitled to it is larger among the non-poor. The transfer system is in urgent need of reform, in both social and financial terms. Such a move, however, is strongly opposed by groups benefiting from the current system. These groups tend to wield greater political clout than the groups of poor who stand to gain from such a reform.

Official Russian statistics show a serious deterioration in the level of public health in the 1990s. Trends relating to infectious diseases such as tuberculosis and HIV have been particularly dramatic. Infant mortality is three times as high as in the EU. Public care services, which under government policy are supposed to be free, have in practice increasingly charged payment, either legally or illegally, during the 1990s. Russian healthcare is currently in the early stages of a complicated restructuring process, centring on a transition from institutional specialist care to outpatient care at the primary level. The authorities are also seeking to remedy unhealthy patterns of consumption, including alcohol consumption. Formally speaking, Russian women and men enjoy the same status in public life. Russian women are often well qualified and a great number are gainfully employed outside the home. Russian society, however, is based to a great

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extent on a male-dominated culture. Female representation among senior political representatives and business executives is low. Clear pay differentials show that women are exposed to discrimination in the employment market. The high rates for abortion and maternal mortality also show that women face grave health risks during their reproductive years.

The social and economic transformation of Russian society has brought considerable pressure to bear on the country's children. Family break-ups, poverty and erosion of the social safety nets have resulted in a growing number of homeless and orphaned children. Institutional childcare is in urgent need of modernisation.

An estimated two thirds of Russia's extensive territory – containing 20 per cent of the world's water and 22 per cent of its forests – remains untouched by economic activity. In the country's economically active zones, however, damage to the environment is often pervasive. The authorities estimate that 15 million people are exposed to harmful emissions on a daily basis. Twenty per cent of all municipal drinking water does not meet official hygiene requirements. Pollutants include toxic and radioactive waste, oil residues and other contaminants due to flawed waste management. Emissions in the Baltic region directly affect areas in Sweden's immediate neighbourhood. Russian emissions of carbon dioxide are the third largest in the world. As a party to the UN Framework Convention on Climate Change, Russia has agreed to review its greenhouse gas emissions, to take action to reduce them and to assess the impact of climate change. Russia has a key part to play in ensuring that the Kyoto Protocol enters into force.

Some important action has been taken in recent years to improve the human rights (HR) situation in Russia. With the introduction of an ombudsman institution for human rights in 1993, which began operating in 1997, the country's citizens acquired a means for claiming their rights, e.g. in disputes with the state. The ombudsman has compiled a series of reports on the HR situation in different spheres of society. Serious HR violations have been noted, for instance in connection with the conflict in Chechnya.

### **3. COOPERATION TO DATE**

#### **3.1 Measures and programmes undertaken**

During the three-year period 1999-2001, Sweden committed itself to providing approx. SEK 1,044m for Swedish-Russian projects and other initiatives in Russia out of the appropriation for development cooperation with Central and Eastern Europe. Cooperation programmes have covered the following areas, in accordance with the objectives set for 1999-2001:

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Measures to promote common security have been confined to St Petersburg, Murmansk and Kaliningrad, and have primarily focused on the non-proliferation of weapons of mass destruction, defence environments, sea rescue, migration policy and the fight against international and organised crime.

Measures aimed at deepening democracy have taken a variety of forms. Legal cooperation has been confined to police programmes in St Petersburg and Kaliningrad. The training provided to journalists in previous years has continued. Hitherto, a total of 638 Russian journalists have taken part. Twinning programmes have grown and currently involve 45 established ties between Swedish and Russian municipalities. Projects aimed at developing local democracy have been undertaken in Kaliningrad, Karelia and Novgorod. A gender perspective has been applied in a large number of projects and is a principal theme in some of them, focusing mainly on the training of female Russian politicians and business leaders. Cooperation via NGOs has grown in scale in recent years. In this field, the Swedish Institute has provided support for cultural events and travel scholarships, etc. Special assistance has been provided via the Partnership for Culture programme.

In the education and research field, assistance has focused on cooperation between Swedish and Russian university institutions and on scholarships for students and researchers. Swedish language tuition has also been provided in eight Russian cities. In addition, the Swedish Government has supported training in economics and other subjects in Moscow.

The second largest sphere of activity in 1999-2001 was socially sustainable economic transition. Assistance in this field has focused on business-related activities, public administration and land reform. In the business promotion field, support has been provided for the development of local entrepreneurial training in ten Russian towns and cities. Via Nordpraktik, 400 young entrepreneurs have been given training as well as personal experience of Swedish companies. A Swedish-sponsored prize has been introduced for Russian companies: the Russian Quality Award. The 'Start East' programme has provided assistance for 13 small Swedish businesses establishing operations in Russia. Two relatively large forestry projects have been launched in recent years, along with pilot projects for sustainable forestry and further training programmes for foresters. Swedish initiatives in the administrative sphere have focused on taxation, statistics and the employment market. In the field of land reform and property registration, extensive funding has been provided to regional projects in nine counties (oblasts) along with efforts at the federal level.

Cooperation in the social sector has involved the provision of funding for the development of a social service model focusing on individual and family care, as well as for healthcare initiatives relating to systemic changes in Russian medical care. Special programmes have been launched to curb the

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spread of infectious diseases, especially tuberculosis and HIV. Cooperation in the social sector has grown considerably due to the favourable results achieved in this area and a strong commitment on the part of both sides.

Environment was the largest sector during the strategy period, extending to improvements in water and sanitation systems, waste management and energy efficiency in St Petersburg, Kaliningrad and other parts of North West Russia. In addition, funding was provided to the Swedish Environmental Protection Agency for its cooperation with Russian environmental authorities and for projects relating to transboundary water supply. In addition, the Swedish Energy Agency has initiated a programme aimed at developing projects based on the flexible mechanisms of the UN Framework Convention on Climate Change. The Swedish Nuclear Power Inspectorate has implemented measures in North West Russia.

### 3.2 Evaluation and experience

Evaluations show that Sweden's bilateral development cooperation has had considerable relevance for the fulfilment of the stated objectives, and has contributed to progress in a number of sectors. According to the Swedish government report, *Developing Cooperation with Central and Eastern Europe* (SOU 2001:122), Swedish assistance has made a substantial contribution to the Russian reform process. The report notes that Russian representatives have been particularly appreciative of cooperation in the environment, business, land reform and social fields, while interest in Swedish efforts to promote democracy has been more equivocal. The committee responsible for the report, however, considers the pro-democracy programme to be of great relevance for the country's development, particularly as regards the training of politicians, journalists and the media, and for human rights. Assistance in the administrative field is also considered highly relevant.

The relationship between federal and regional/local projects is an important aspect of development cooperation in a country as large as Russia. Sweden's strategy of emphasising cooperation with the region closest to us, i.e. North West Russia, has proved a success. Approx. 70 per cent of Sida's project funding goes to this area. The Barents cooperation programme in the north has provided a further framework for development cooperation initiatives.

However, development cooperation achievements at the local or regional level, in terms of new work methods or management systems, for instance, are not always communicated to the rest of Russian society. For such results to spread further afield, they often have to be endorsed at the federal level

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and then be translated into new guidelines or be passed on in the shape of pilot schemes elsewhere. Not least with this in mind, Sweden has stepped up its development cooperation presence at the federal level during the period, and this has yielded valuable results. As an added bonus, successful local and regional projects lend credibility and weight to projects prepared at the federal level.

The most important factors for the success of development cooperation efforts in Russia are competence and determination on both sides and the presence of a strong Russian interest in reforms in the subject area concerned. A long-term approach and continuity in the various projects contribute to a better understanding of each respective counterpart and to the development of mutual trust. It is vitally important that Swedish experts show respect for the competence of their Russian counterparts and are able to adapt their proposals to conditions in Russia. Success has frequently proved easier to achieve if the situation involves problems of a technical nature in an area in which Swedish experts have wide experience. Experience also shows that technical cooperation over individual projects can lead to cooperation in other areas, such as organisational or policy matters, to the benefit of all concerned.

Progress is more difficult to achieve in sectors dominated by a tough-minded, unreformed bureaucracy or in areas where development cooperation efforts are hampered by their dependence on a number of different Russian authorities. It is sometimes worth breaking off a project and waiting a year or so until the prospects of success have improved.

Experience also shows that investment projects in the environment and energy fields take a long time to develop. The basic causes of this are financially weak institutions and extensive bureaucracy at all levels. The preparatory work is cumbersome and requires both considerable patience and a long-term commitment.

In a number of projects, experts from other countries in economic transition, such as the Baltic States and Poland, have sometimes proved a valuable addition to Swedish teams of experts in that they are able to bring their own highly relevant knowledge and expertise to bear. Similarly, study visits in for example the Baltic countries, have sometimes proved useful for the furthering of projects in different sectors, including social projects, journalism and forestry.

Development cooperation to date has heightened awareness and generated valuable insights among Swedish representatives into conditions in Russia and into the prospects for making a successful contribution to the country's reform process.



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#### **4. COOPERATION IN 2002 – 2004**

##### **4.1 Objectives and guidelines**

The overall objective of Sweden's development cooperation with the countries of Central and Eastern Europe is to promote sustainable development, closer integration and partnership in the Baltic Sea region and its vicinity, based on the needs of the partner countries and utilisation of the Swedish resource base.

The Swedish development cooperation shall be informed by three guidelines: to promote systemic change and integration with European cooperative structures, to promote the development of relations with Sweden and the need to adopt a gender equality perspective in all development cooperation.

##### **4.2 General considerations**

Developments in Russia are of major importance to Sweden. Both countries are extremely anxious to see a continuation of the reform process and to ensure that it leads to a further deepening of democracy and the market economy in Russia and to the strengthening of ties between Russia and the rest of Europe. A continuation of the reform process can help Russia develop closer ties with the EU while at the same time Russian efforts to improve relations with the Union can reinforce the reform process. A dialogue has developed between Russia and the EU with the aim of creating a Common European Economic Space (CEES). This, together with Russian preparations for joining the World Trade Organisation (WTO), represents a valuable boost for future Russian enterprise and for the reform of the Russian economy.

The Russian government has emphasised the great importance it attaches to the task of developing closer ties with the EU. The fact that this is a priority issue is due in no small part to the EU's status as Russia's largest trade partner by a considerable margin. But on the political and cultural level, too, Russia emphasises its affinity with the rest of Europe. It views membership of the Council of Europe as a matter of considerable importance. Recently, Russia has upgraded its participation in such forums as the Council of the Baltic Sea States, the Barents Euro-Arctic Council (BEAC) programme of cooperation and the EU's Northern Dimension. In the latter context, the Northern Dimension Environmental Partnership (NDEP) and the Northern e-Dimension are of particular importance.

Developments in Russia are crucial to European integration and enlargement, and also to the emergence of new security structures. EU leaders have reaffirmed on a number of occasions the high priority they attach to relations with Russia. A Partnership and Cooperation Agreement

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(PCA) between the EU and Russia entered into force in December 1997. A common EU strategy for cooperation with Russia was adopted at the EU summit of June 1999 and the two parties entered into a special dialogue on energy in 2000. Each year, via the various Community programmes for development cooperation with Russia, primarily Tacis, large sums are channelled into the country to help it in its continuing efforts at reform. Kaliningrad is a region of special interest in this connection.

Efforts to consolidate democratic governance in Russia deserve – and receive – extensive Swedish support. Economic cooperation around the Baltic is developing rapidly, to the benefit of both Sweden and Russia. Cooperation in the social field has developed new forms, not least in the fight against infectious diseases. The environmental problems of the Baltic region, which are severe in places, are being dealt with jointly by the coastal states within the framework of international treaties and conventions.

#### **4.3 The scope, form and direction of cooperation**

Development cooperation with Russia continues to be a priority issue for Sweden. As before, cooperation is to focus primarily on strategic efforts to transfer knowledge and know-how and develop institutions, and on investment projects in support both of the reform process and of economic transition in Russia.

Areas of contact with the EU are to be extended and strengthened. Development cooperation is to combat the emergence of any new divisions that may arise in the wake of EU enlargement, and contribute to stability and security in the region. Swedish-Russian development cooperation is to be coordinated both with the aid being provided by other donors and with regional cooperation efforts, and especially with the aid being provided by the EU's member states and the European Community. In the case of the EU group of countries, direct coordination could be established, e.g. in the form of funding for joint projects. The EU-Russian Common Strategy affords another basis for development cooperation between Sweden and Russia. Swedish programmes should also be coordinated with the international financing institutions and the UN community. The aim of Swedish development cooperation is to supplement and reinforce the cooperative efforts under way in the Council of the Baltic Sea States, Baltic 21, the Barents Euro-Arctic Council, the Arctic Council, the Nordic Council of Ministers, the UN/ECE and other forums for multilateral cooperation in the region.

It is also important to ensure that development cooperation is coordinated with and supplements the activities being funded out of the business development appropriation for the Baltic region, the overall goal of which is

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to promote trade and investment and to improve the prospects for Swedish business participation in the development of the region's trade and industry.

In the coming period, development cooperation should seek to enhance relations with Sweden by basing initiatives on Russian needs and directing efforts at areas in which Sweden is particularly well equipped to provide assistance. Programmes should also seek to increase cooperation between Swedish companies, organisations and central and local government authorities and their counterparts in Russia, and to boost trade and cultural exchange between the two countries.

Cooperation should continue to focus on the north western region of Russia: the city of St Petersburg, the counties of Murmansk, Arkhangelsk, Leningrad, Novgorod, Pskov and Kaliningrad, and the Karelian Republic. Measures should also be considered in Vologda, Komi and Nenets, which in a Russian context are also counted as part of the north-western region. The point of focusing on North West Russia is to avert resource splits and encourage synergy effects.

During the coming period, cooperation with Kaliningrad will become increasingly important as a result of EU enlargement. Efforts in the Barents region will again be given high priority and will include measures on behalf of the indigenous peoples there. Special measures will be introduced to mark St Petersburg's 300th anniversary. In the case of Pskov and Leningrad, the prospects for introducing measures that facilitate and intensify contacts between these two counties and the Baltic countries should be investigated.

If Swedish initiatives are to lead to knock-on effects in the rest of the country, cooperation must be established with federal structures in Moscow. Initiatives taken at both the regional and federal level can be mutually supporting and yield better results. In addition, occasional undertakings of strategic importance for Swedish-Russian development cooperation may be initiated in other regions than those described above.

In most of the aforementioned regions, Swedish-Russian development cooperation has been in progress for almost ten years. Efforts have been made to achieve synergy effects in the implementation of programmes. Such efforts should continue. In their dialogue with regional counterparts, Swedish players should offer to deepen cooperation with a view to achieving both greater development impact and greater visibility. Synergy effects should also be sought via inter-regional links, e.g. by introducing similar types of measures in adjacent regions.

Swedish-Russian development projects maintain a long-term perspective, even if the various individual parts may often be limited in duration. As before, a certain degree of flexibility will be required. Some project areas will be wound down once the desired results have been achieved, while others

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may attract increasing attention. On the basis of Russian needs, and of current provisions and guidelines, Sida should carefully consider business proposals submitted by Swedish companies. Investments should continue to be financed primarily in the environment and energy fields, including priority projects in the Northern Dimension Environmental Partnership (NDEP). To a greater extent than before, Swedish efforts in the technical field can be linked to major investments coordinated by the international financing institutions. Measures on behalf of small and medium-sized projects in cooperation with bodies such as NEFCO are an important addition in this area.

All development cooperation between Russia and Sweden must be informed by a gender perspective. When programmes are being prepared, their impact on both women and men must be analysed. Similarly, follow ups and evaluations must consider how the programmes affected women and men respectively. The principal aim should be gender mainstreaming, i.e. letting gender equality considerations inform each individual project whenever this can be achieved in a meaningful way. In addition, special initiatives may be warranted specifically targeting women and/or men, such as further efforts to enhance the role of women as leaders, opinion makers and politicians, and efforts to provide them with greater protection and social support. Initiatives focusing on men's domestic roles and the problem of male violence in Russian society should also be given due attention.

The six areas of activity for Swedish-Russian development cooperation are:

- Common security
- Deepening democracy
- Economic change
- Social security
- Environment
- Education and research

#### **4.3.1 Common security**

Swedish support aims to promote common security in the region in both the military and civilian spheres. Support is also intended to improve Baltic-Russian relations and help integrate Kaliningrad into regional cooperation efforts.

Swedish assistance will focus primarily on knowledge transfer and institution building in various forms, but will also involve some support in the materiel field. Support will be forthcoming for, inter alia, cooperation of transboundary and security policy nature. It is vital that the programmes undertaken facilitate Russian integration into European and other international cooperative structures, and promote regional cooperation. As

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the prospects for initiatives in Russia improve, but also as security-enhancing assistance to the Baltic countries is phased out, opportunities should arise for a gradual increase in Swedish assistance to Russia.

A promising development programme has been launched in the defence environment field. This undertaking (offering rich opportunities for regional cooperation), which has hitherto involved measures such as risk assessment, decontamination and the framing of an action plan for the remediation of a former military base – and which has also involved cooperation between military and civilian authorities – should be continued and if possible expanded.

Regarding the non-proliferation of weapons of mass destruction, Russia should be given continued support to help it fulfil its international obligations in this area. Further efforts should also be made to prevent the spread of radioactive materials and substances that may be used for the development of biological weapons, and to ensure a proper level of control over sources of radiation. Similarly, further measures should be taken to expedite the destruction of chemical weapons.

Emergency preparedness for dealing with accidents or disasters in Sweden's immediate neighbourhood is currently at a more satisfactory level than at the beginning of the 1990s. Some further measures may be required, in such fields as marine oil damage control, training, and risk assessment, and also as regards safety and protection in connection with accidents of various kinds. Efforts to strengthen regional preparedness and safety cooperation in Sweden's vicinity, as well as preventive action, should be priority areas in this respect.

Competence in the asylum and migration policy field must be raised. Support should also be given to regional border and migration programmes, not least to help improve the handling of migratory flows at the future external borders of the EU. Issues relating to the right of asylum in an HR context remain a matter of importance. Measures to combat illegal migration should be linked to migration programmes and to the fight against international cross-border crime.

In several security-enhancing areas of cooperation, resource needs are considerable. Accordingly, bilateral Swedish measures should be carefully coordinated with other donor programmes, especially within the EU. Whenever possible, financing should be sought via the various Community funding programmes. Given Sweden's strong interest in efficient security-related cooperation in our international vicinity, the agencies concerned should make plans to integrate future development cooperation with Russia into their regular activities.

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#### 4.3.2 Deepening democracy

The aim of Swedish assistance in the democratic sphere is to deepen democracy by strengthening its structures and by encouraging the development of a democratic culture and active citizen participation. This can be achieved primarily by supporting the development both of a society in which the rule of law prevails and of a strong civil society, and by helping to develop local self-government. Swedish cooperation focuses on the building of democratic and legal institutions and the development of civil society, including respect for human rights.

##### *Legal cooperation*

Swedish efforts here have hitherto been relatively modest, but with the phasing out of assistance to the candidate countries, the prospects for stepping up cooperation with Russia in this field should be investigated. The bilateral cooperation agreement between the Swedish Ministry of Justice and its Russian counterpart that has applied since 1997 is being given concrete form in 2002 in a specific programme of cooperation. Support during the strategy period should be directed at the areas identified in this programme and relate both to criminal law and civil law, including land law. In this area of work, exchanges of officials dealing with practical legislative matters may prove valuable. At the same time, any difficulties that may arise should be treated with great respect. Bilateral Swedish initiatives in the legal sphere should complement the measures taken within the framework of multilaterally financed projects.

Whenever possible, cooperation should adopt a legal chain perspective so as to support development of the rule of law at a practical level. This means that all relevant parts of the judicial system should be brought into programmes focusing on a specific problem. Areas likely to be affected are extended cooperation between central authorities over issues relating to international legal assistance, reduced periods of custody and the fight against organised crime, including human trafficking. Additional areas of focus should include efforts on behalf of the police and correctional sectors and on behalf of other authorities working in the legal sphere. Such support should be provided where needs have been identified and where Sweden possesses the requisite expertise.

##### *Local and regional self-government*

High priority is being given at the federal level in Russia to the reforming of local administration and local self-government. This emerged, inter alia, in the Russian president's annual speech to the nation in April 2002. There is at present considerable interest among Swedish municipalities and regions in developing ties with counterparts in Russia, and this should be put to good avail. In-depth twinning and cooperation are suitable instruments for achieving direct communication in this respect. Contact at the regional level

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is important for the transfer of knowledge and know-how and the exchange of views and experience.

*The media*

In recent years, it appears to have become harder for the Russian media to operate. Both media and individual journalists have frequently developed an economic or political dependence on public authorities at one level or another. Journalists are sometimes subjected to pressure or physical attack.

Developments in Russian society in the 1990s have underlined the importance of continuing to encourage the development of free and independent media coverage in the country. The bulk of Swedish assistance should continue to be directed at local and regional media. Assistance should also be available to media organisations based outside North West Russia. Initiatives may be taken in other fields as well, including support in the form of economic and legal guidance. Efforts in the media management field should be given special priority. Sweden should make a point of seeking cooperation with a wide range of players in the Russian media sphere, including public authorities at various levels.

Study visits to Sweden are an important means for presenting alternatives and for developing networks with Swedish journalists. The focus, however, should be on training for professionally active journalists in Russia; such training is provided in collaboration with Russian-based organisations for further education. Concentrated, in-depth efforts to raise competence in independent media companies should also be continued.

*Training for politicians*

Training has been provided for Russian politicians with funding from Sida and the Swedish Institute (SI). This programme should be maintained but in the coming period should be more closely linked to efforts in other sectors, and in terms of content should focus on specific policy fields. A further aim should be to provide training for politicians – not least the younger among them – focusing both on the conditions of political life and on relations between political representatives and public officials. Support should be provided in close collaboration with relevant Russian organisations, such as the Moscow School of Political Studies. The training of politicians is also a feature of the support channelled through organisations associated with political parties.

*NGOs*

The goal of Swedish support for development cooperation programmes run by NGOs in Central and Eastern Europe is to encourage the development of a robust, democratic civil society and to strengthen partner organisations by helping them to develop their organisational structures and capacity. The aim is to create channels for popular participation and commitment and thereby to pave the way for long-term, sustainable democratic development.

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Swedish assistance is provided via NGOs and via the organisations associated with political parties.

The efforts of Swedish NGOs can help their Russian counterparts to survive, to become more skilled in applying for funds from national and international bodies, and to improve their internal workings. Swedish support also benefits Russian participation in international and national networks in a number of different areas.

*Exchange and cooperation in cultural and public life*

The continuation of Swedish support for exchange and cooperation in cultural and public life is imperative. The aim of this area of activity is to promote a closer understanding of democratic culture, to strengthen both democratic structures and popular support for democratic development, and to encourage active citizen participation in public life. As the range of activities in Russia grows, the Russian organisers themselves should increasingly assume a share of the economic responsibility for them. During the coming period, special attention will be focused on the city of St Petersburg, which will be celebrating its 300th anniversary in 2003. At the same time, it is important to ensure that other parts of the country receive a share of Swedish assistance, not least those outside the metropolitan regions. The Barents region should be a particular focus of activity.

#### 4.3.3 Economic change

The purpose of Swedish support for economic transition in Russia is to strengthen the ongoing economic reform process and contribute to the development of an efficient market economy and a robust business sector. Support for the advancement of Russian trade and industry ranges across a wide spectrum of initiatives from business-related infrastructure and environment to more direct undertakings in the private sector. A central aim is to help establish stable and legally secure conditions and to help bring legislation and the exercise of official authority in Russia closer into line with European institutions and the EU's regulatory frameworks. Priority is also given to programmes that enhance prospects for bilateral and international economic cooperation and trade, including Russian efforts to join the WTO.

*Measures in the business sector*

Efforts in this area should continue to focus primarily on programmes relating to business training and on support for the establishment and development of small and medium-sized enterprises in the region. The 'Start East' programme, designed for small Swedish businesses planning to establish operations in Eastern Europe, is expected to grow further in Russia.



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The 'Develop Your Business' programme run by the Swedish Institute of Management in cooperation with the Kaliningrad International Business Institute will continue operating as before during the forthcoming three-year period, but with an increased level of self-financing. At least 300 Russian entrepreneurs, mainly from small and medium-sized enterprises, are expected to take part in the training programme each year. Support is also anticipated for undertakings aimed at developing ties between companies in Sweden and Russia within the programme framework.

Support for reforms in the forestry sector should continue at present levels, in pace with the reform process in this area. Efforts should also be initiated in the agricultural sector, once the Russian land and property reforms are extended to rural areas, which is due to happen shortly. Special programmes for rural development may be warranted in light of the considerable gaps between town and country.

In areas that are potentially crucial to business cooperation between Sweden and Russia, it should be possible to directly link measures such as training and institutional development to the investment programmes of individual Swedish companies in Russia. Interaction between the business sector and trade union organisations should where possible be taken into consideration in support programmes.

During the current year (2002), Swedfund International AB was allocated additional funding for risk capital programmes in Central and Eastern Europe, which means that new initiatives may be forthcoming in Russia.

Sweden and Russia are jointly responsible for the business sector in Baltic 21, which means that efforts to promote sustainable business development in Russia are given special priority in bilateral programmes as well.

Cooperation with the Russian customs authorities is important, not least from a Swedish trade promotion viewpoint. Bilateral initiatives should be coordinated with the EuroRussia programme currently under way involving Sweden, Finland and Russia.

A dynamic flow of trade and investment between the countries around the Baltic Sea presupposes a solution to the problem of border constraints, including customs problems, which are currently acting as a brake on growth in this area. Efforts should be made to solve these problems, particularly on Russia's borders with the Baltic States. Special measures for promoting transfrontier cooperation between the countries should also be considered. In this connection, Sweden should endeavour to coordinate its measures with EU-financed programmes.

*Administration*

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Swedish support should focus primarily on implementation of the recently launched programme of reforms in the central administration sector. In addition, further cooperation is anticipated in such areas as tax administration and statistics. Cooperation in the employment sector has been extensive and has primarily involved the development of efficient employment services. New projects are being considered in this areas, concerning for instance the rehabilitation of people with occupational disabilities. Swedish experience and knowledge of the aforementioned fields should be mobilised on behalf of the reform process.

An important area of the reform in the public administration sphere is the development of administrative capacity at the regional and local level.

The Swedish-Russian Cooperation Programme (SRSP) is an established partner of the Russian Ministry of Finance. Programme initiatives have led to the development of close cooperation between the Swedish Ministry of Finance and its Russian counterpart in such areas as taxation. The task of the SRSP in the coming period is to extend cooperation to the transfer of knowledge and know-how between the Swedish Ministry for Foreign Affairs and the Russian Ministry for Economic Development and Trade, focusing in particular on measures relating to the WTO and the EU's internal market. The areas selected for Swedish support are of crucial importance to the tasks of integrating Russia more closely into the global economy and bringing the country closer into line with the EU in such fields as legislative harmonisation. In this connection, the dialogue on a Common European Economic Space (CEES) is of particular importance. It is imperative that cooperation with two of Russia's central ministries concerned with economic transition and reform be continued.

Extensive assistance has been provided to land reform programmes over the past ten years, with successful results. Further assistance should build on these results and focus primarily on a broader use of land and property information in various sectors of society, and on improving cooperation between different authorities. The level of assistance is expected to be lower than before.

It should be noted that a number of important administrative areas affecting the development of the Russian economy and the business sector in the above connection are described under other headings. These include the police and judiciary and the pension system.

#### **4.3.4 Social security**

The aim of Swedish development cooperation in this area is to contribute to the continuation of the reform process by supporting structural change and method development in healthcare, the social services and the social transfer

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system. Measures aimed at improving public health and preventing the spread of infectious diseases are to be instituted. Programmes should focus on particularly vulnerable groups in society such as people with disabilities, children in institutional care, and women and children exposed to physical abuse and/or sexual exploitation, e.g. via trafficking in human beings. Sida should apply a long-term perspective in its social security programme with a view to achieving both systemic change and a lasting change in attitudes, and so as to further encourage method and policy development. The Eastern Europe Committee of the Swedish Health Care Community possesses a wide range of skills and knowledge in this area, as do Swedish NGOs, and these bodies should continue to play an important part in undertakings in the social sphere.

Measures in support of education and training, method development and the personal guidance of social welfare officers and other officials at the local, regional and central levels, should continue. This also applies to the development of model offices and other pilot schemes aimed at disseminating new methods for social service work and the care of socially disadvantaged groups, such as people with disabilities, children without custodians, the elderly, substance abusers and the unemployed.

Greater priority should be given to preventive structural measures aimed at strengthening families and enabling maltreated children to escape being placed in institutions and having to grow up there. Measures that encourage alternative forms of care and support at local level close to home should be given Swedish backing. Particular attention should be devoted to the human rights of the individual and child rights. Efforts should be made to improve the situation of children and young people on the basis of the UN Convention on the Rights of the Child and the UN document A World Fit for Children, adopted at a special session of the General Assembly focusing on children in the spring of 2002. In order to improve the situation of the disabled, programmes should be based on the UN's standard rules for assuring people with disabilities of both equality and community participation. Cooperation should be encouraged between public authorities and local voluntary organisations. Informational efforts and preventive measures should be instituted to combat violence against women and children, not least by means of education and gender equality initiatives directed at men.

Efforts to reduce and combat trafficking in human beings should be accorded high priority. Particular attention should be focused on preventive measures. Special repatriation and reassimilation programmes for victims of trafficking may also be called for. It is vital to tackle this problem area in a comprehensive manner, by means of both prevention and intervention, and also to ensure that programmes adopt a regional perspective. Efforts in this field are to be pursued in accordance with relevant international agreements. The networks built up in collaboration with the Council of Baltic Sea States

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(CBSS) to aid work with children at risk in the region should be utilised for preventive work in this field.

Swedish support for structurally sustainable reforms in Russia's social insurance systems, particularly pension systems, is a matter of importance. This also applies to support for the further development of primary care in the Russian healthcare sector.

The grave situation currently prevailing in Russia as regards infectious disease control must again be given close attention. Cases of tuberculosis have risen by 70 per cent over the past five years. HIV is currently spreading faster in Russia than anywhere else in the world. The fact that HIV/AIDS cuts across social boundaries means that a wide range of integrated measures are needed at various levels, focusing on different target groups. Sida should seek to promote greater openness about this problem. Initiatives and coordination are anticipated within the framework of the programme established by the CBSS to combat the spread of infectious diseases in the region.

Drug abuse in Russia has increased significantly, particularly among young people. The current number of drug abusers is estimated at over two million. In the public health field, educational programmes relating to young people's health and wellbeing should be given greater emphasis. Preventive efforts in the sex education field are of particular importance, especially concerning HIV/AIDS, as are informational efforts aimed at preventing the misuse of alcohol and drugs. Initiatives for developing special health and guidance clinics for young people should be extended to other regions in Russia as well.

#### 4.3.5 Environment

As before, Swedish development assistance in the environment and energy field is expected to be substantial. The aim of efforts in this area should be to promote environmentally sustainable development in Russia, particularly where a strong Swedish resource base is available, e.g. in the form of environmental and energy technology. In the environmental investment field, support can be extended to reform-oriented projects involving such things as the restructuring – along market economic lines – of institutions responsible for activities in this area. In recent years, opportunities have increased for conducting investment projects in the environment field that are partially credit financed. Credit capacity, however, is still disproportionate to requirements. There is a need for additional donor support for consultancy undertakings and institutional development, but frequently for certain types of investment as well. Investment support should be linked to a requirement that the Russian counterpart share the costs.

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Development cooperation in the environment and energy field should seek to contribute to the further implementation of the Baltic Action Programme and the Baltic 21 programme for sustainable development in the Baltic area. Other priorities during the period will be support for initiatives under the Northern Dimension Environmental Partnership (NDEP) and support for environment and energy projects operating under the Baltic Sea Regional Energy Cooperation (BASREC) programme or under the Barents Euro-Arctic action programme.

In addition, support may be provided to help solve environmental problems adversely affecting people's health and financial circumstances. Swedish undertakings should seek to find cost-effective, long-term solutions to environmental problems.

Swedish assistance to Russia in the environment field has grown in recent years, primarily due to the funding of the large-scale water and sanitation projects under way in Kaliningrad and St Petersburg. The favourable economic development of recent years should mean that opportunities for reform-oriented environmental action will now increase, both in terms of cooperation with public authorities and as regards the implementation of reform-oriented investment projects. The need for action in the Russian environment sector is very great and this situation is likely to persist for a long time to come.

Well-developed international cooperation in the environment field between different donor countries is vitally important in Russia. The coordination of investment projects should continue, with the international financing institutions as the directing bodies. For other types of projects, too, such as preventive environment protection in industry and agriculture, and opinion-making activities relating to the environment, opportunities for coordinating programmes with those of other donor countries should be exploited. Via cooperation with the international financing institutions, Swedish aid should be able to exercise considerable leverage.

During the coming period, Swedish support is again expected to be dominated by efforts to improve water and sanitation management in the Baltic catchment area and by efforts to increase energy efficiency and energy savings primarily in the district heating sector. Support is to be given to financially and environmentally sustainable projects that help reform activities in the sectors concerned.

Technical cooperation in the forthcoming period should be directed primarily at the development of efficient environmental administration and focus in particular on environmental information, education and training, water conservancy, nature conservancy and environment protection. Initiatives should also be considered in relation to environmental problems in agriculture, air pollution, contaminated soil and the development of the

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skills necessary for implementing the UN Framework Convention on Climate Change. As a supplement to cooperation with official bodies, cooperation with NGOs should also be sought. Environmental mainstreaming is an important aspect of project work.

Another important area will be further efforts in respect of transboundary waterways, not least where such projects can enhance cooperation between Russia and the Baltic States, for instance, and promote coexistence. Lake Peipsi and the Daugava and Nemunas rivers fall into this category.

Further intensive efforts will be needed to raise nuclear safety levels in Russia. In recent years, the Swedish Nuclear Power Inspectorate (SKI) has established a programme of support for the Leningrad and Kola nuclear power plants, and for nuclear waste and spent nuclear fuel in North West Russia. These measures should be sustained during the programme period. The lack of a legal framework regulating such areas as customs, taxes and liability in the event of atomic damage is obstructing effective cooperation in the nuclear field. Settlement of these issues would pave the way for increased Swedish support in this area. Regarding radiation protection, cooperation with the Russian nuclear safety authority, GAN, is expected to advance within the framework of the cooperation agreement signed in 1997. Efforts will focus on issues such as internal and external conditions for nuclear activities. During the period, the Swedish Radiation Protection Authority, SSI, will also examine the prospects for cooperating on radiation protection in the environmental health field.

#### **4.3.6 Education and research**

One aim of development cooperation in the education and research field, largely a matter for the Swedish Institute (SI), is to promote the creation of durable networks between universities and colleges in Sweden and Russia. Assistance should also be directed at efforts to implement the Baltic 21 action programme for sustainable-development education in the Baltic region. In addition, support should be extended to other types of educational activities and to Swedish language tuition in Russia. Synergy effects should be sought with respect to Tempus, the EU's programme for cooperation in higher education with Russia among others.

##### *Higher education and research*

Academic cooperation in higher education and research has progressed steadily in St Petersburg, and the well-established university there is attracting a growing number of partners in Sweden. Institutes of higher education in Sweden should be given the means to gradually develop

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cooperation with their counterparts in the Barents region and in the counties of Kaliningrad, Leningrad, Novgorod and Pskov. Projects aimed at extending cooperation to institutes of higher education in other parts of Russia are also of interest and should be encouraged.

Programmes in support of projects and institutes of higher education in the Barents region, including ones seeking synergy effects in such traditional basic industries as forestry, water and mining, should be given consideration. In some cases, it may be possible to include St Petersburg in the networks already established in the Barents region. Within the framework of the new scholarship programme North2North – initiated by the Arctic Council as part of the 'University of the Arctic' academic network – the SI should focus in particular on encouraging student and teacher exchange between Russian institutes of higher education and other countries in the programme.

Encouraging interest among Swedish institutes of higher education in cooperation with Russian counterparts in Kaliningrad is an important task. The establishment of a Swedish consulate in Kaliningrad will facilitate communication and exchange in this respect.

The Swedish Institute is in a position to support mutual information seminars, with a view both to encouraging the development of networks and to stimulating interest in exchanges for students and researchers. An important feature of the cooperation programme is the provision of incentives that encourage Russian institutes of higher education to arrange courses in English in various subject fields, especially at the universities outside Moscow and St Petersburg, the aim being to attract Swedish students in larger numbers.

#### *Adult education*

Russian voluntary organisations are the prime movers in the field of adult education. NGOs are often the ones responsible for providing adult education in Russia, which means that SI funding must be coordinated with other kinds of Swedish assistance, primarily via Forum Syd. The main focus of SI assistance should be cooperation between institutions associated with the public education system, but the possibility of supporting important projects in which the Russian partner is an NGO should not be excluded. The SI should concentrate on supporting exchanges in the Barents region, St Petersburg, Novgorod, Pskov, Kaliningrad and the Moscow area.

#### *Upper secondary and youth exchange*

A natural link for exchanges at upper secondary and youth level is to be found at places in Russia where Swedish language tuition is provided. At the same time, however, Swedish upper secondary schools should remain free to choose their own partners in Russia, should they prefer. The Swedish Institute has been instructed to join the National Board for Youth Affairs in launching a cooperation programme for youth exchange in the Barents

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region. Such cooperation gives participants the opportunity to enter exchange programmes at an early age, enabling them to learn more about one another's countries and thus furthering cultural understanding.

*Swedish language tuition*

SI-sponsored Swedish language tuition should be developed further over the next two years. A reduction in the number of senior Swedish teachers supplied to Russia should be combined with an increase in targeted funding for domestic staff teaching Swedish. Persons engaged in fields other than purely philological ones should be given greater opportunity to study Swedish. Support for Swedish language tuition should be coordinated to a greater extent than at present with other programmes in Sweden's development cooperation with Russia.





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