

Approved by the President
of the Russian Federation
June 14th, 2007

Russia's Participation in International Development Assistance

Concept

The Concept of Russia's participation in international development assistance presents a strategic vision of the substance and priorities of Russia's policy concerning the provision of international financial, technical, humanitarian and other aid to facilitate socioeconomic development of recipient countries, help resolve crisis situations caused by natural disasters and/or international conflicts, and strengthen Russia's international position and credibility.

This Concept is designed to assure that the federal government uses a systemic approach to Russia's participation in international development assistance.

The Concept defines major goals, objectives, and principles of Russia's international development assistance policy.

A legal framework for this Concept is provided by the Constitution of the Russian Federation, the Russian Foreign Policy Concept, the Russian Security Concept, and the Budget Code of the Russian Federation. Also, the Concept is based on the UN Charter and other international instruments such as the Millennium Declaration, the Monterrey Consensus, the Johannesburg Plan of Implementation of the World Summit on Sustainable Development, the 2005 World Summit Outcome, the Paris Declaration, etc.

I. General

Dynamic and sustainable development of any country in the era of economic globalization reflected, inter alia, in closer integration of commodity and financial markets is bound to depend on economic conditions of both its immediate neighbors and many far away countries. Therefore, the developed nations, particularly members of the Organization for Economic Cooperation and Development, pursue their international development assistance policies proceeding from the assumption that failure to assist underdeveloped countries increases development risks for the entire global economy, undermines stability and security in most regions of the world, and worsens the threat of the spread of terrorism, infectious diseases, unregulated migration, and environmental disasters.

Russia considers sustainable socioeconomic development of countries and peoples as an indispensable element of the modern collective security system. A clearly formulated and targeted socioeconomic component of international initiatives can largely improve projects and programs designed to provide adequate responses to contemporary global challenges and threats.

Despite the evident progress, the international community still faces numerous development challenges. Over 1 billion people live on less than \$1 a day. Over 100 million children in the developing countries have no access to primary education. Life expectancy in such countries is 40 years. Every year these countries lose 10 million children under 5. They also have an urgent need to combat infectious diseases such as HIV/AIDS, malaria, and TB. According to the available estimates, by 2010 the spread of these diseases would cause a 20-percent decrease in the Sub-Saharan Africa GDP.

Russia shares the view that the governments of developing countries must shoulder primary responsibility for overcoming poverty and underdevelopment of their nations. However, it is clear that a radical improvement of socioeconomic conditions in these countries will be possible only if the international community takes resolute and concerted action to facilitate their development. Progress in poverty reduction and achieving sustainable economic growth demonstrated by a number of countries shows that international development assistance is crucial for addressing major challenges of the 21st century.

Based on such a vision of the role and place of international development assistance in the global economy and policy, members of the OECD Development Assistance Committee (DAC) have provided about US\$420 billion in official development assistance (ODA) since 2000. There is a clear tendency towards the annual growth of donor assistance: it increased from US\$53 billion a year in 2000 to US\$105 billion per year in 2005.

Until recently, Russia's participation in development assistance was quite limited both in scope and types of assistance, mainly for objective reasons. However, even in the most difficult periods, Russia continued to take part in humanitarian operations, made

regular contributions to international organizations, and agreed to relieve the debt burden for poor countries. The dramatic improvement of Russia's economic status, including its much stronger financial position, is an important prerequisite for transition to a qualitatively new level of effort in that area.

Since 2000 Russia has run a federal budget surplus and a sustainable balance of payments. In 2005 – for the first time after 1994 – net private capital outflow was almost equal to net private capital inflow. After the period of stagnation, federal budget expenditure on government loans to other countries shows steady growth. Russia's contributions to various international development support programs and funds have increased several fold.

Existing macroeconomic prerequisites make it possible to consider practical steps aiming to change the level and structure of expenditures for international development assistance. Over the last few years, Russia mostly contributed by writing off debts under loans lent by the former Soviet Union, for example, within the framework of the Heavily Indebted Poor Countries Initiative. Currently it is focusing on assistance in the form of grants to international funds and programs of international development assistance, and in future would establish and develop a national system of instruments to provide such assistance on a bilateral basis.

The appreciable strengthening of development assistance efforts by Russia's G8 partners has become an important factor directly influencing federal government activities in this area.

It is of note, however, that the Russian Federation has yet to adopt a governmental programmatic document on international development assistance. Federal executive authorities – the Ministry of Foreign Affairs, Ministry of Finance, Ministry for Emergencies and others – provide such assistance pursuant to the Government's case-specific decisions addressing specific tasks: to make a "planned" contribution to an international organization; to take part in the liquidation of consequences of a natural or manmade disaster; to adopt debt restructuring arrangements for specific countries within the Paris Club, etc. Russia is the only country in the Group of Eight whose laws and government regulations do not even include the concept of official development assistance (ODA).

Therefore, present-day realities of global policy and economy and Russia's status of a superpower suggest that Russia could pursue a more active policy in international development assistance, including an increase in government spending for these purposes.

In turn, an increase in expenditures for development assistance and diversification of such assistance require the adoption of a program document (this Concept) identifying policy priorities and implementation mechanisms in this area. At the same time, the absence of a systemic approach in using federal budget funds for purposes of development assistance makes it difficult to bring about the desired economic and

social outcomes in the recipient countries or create political and economic benefits for Russia.

A stronger and more consistent policy on international development assistance within the framework of this Concept meets Russia's economic and political interests as it would help: strengthen Russia's international position and credibility; stabilize socioeconomic and political situation in the partner countries; establish a belt of good neighborliness; prevent the occurrence of potential focal points of tension and conflict, primarily in regions neighboring the Russian Federation; and ultimately create a favorable external environment for Russia's own development.

This Concept outlines procedures and basic principles of establishing a national system of international development assistance to be created in several stages. The first stage will include: the development and approval of a regulatory and legal framework; selection of assistance priorities; creation and adjustment of channels to interact with partner countries and international organizations; development of bilateral and multilateral mechanisms for assistance delivery; establishment of a group of international development assistance stakeholders in Russia; identification of areas and types of interactions with the business community in the area of development assistance; and implementation and performance assessment of initial assistance programs. These activities will be supported with a broad public awareness campaign.

Once Russia has acquired enough experience and volume of international development assistance based on this Concept, it would be able to establish a specialized governmental agency for such assistance, introduce specialized assistance programs and instruments, adjust and update existing mechanisms, and extend the coverage of development assistance programs.

II. Objectives and Principles of Russia's Participation in International Development Assistance. Criteria of Providing Assistance to Recipient Countries

Russia's policy in international development assistance will be based on the Millennium Development Goals formulated in the UN Millennium Declaration (2000), the National Foreign Policy Concept, and the National Security Concept, and on a reasonable balance between the objectives of such policy and the capacity for their attainment.

Russia's development policy is designed to promote the attainment of internationally agreed objectives, including the Millennium Development Goals, by all countries while emphasizing the needs of low-income countries.

In this context, Russia's development assistance policy will pursue the following goals:

- To influence global processes with a view to establishing a stable, fair and democratic world order based on the universally acknowledged international law and partnership relations between countries;
- To eliminate poverty and ensure sustainable economic development in developing and post-conflict countries;
- To liquidate the consequences of humanitarian, natural, environmental, and industrial disasters and other emergencies;
- To foster democratic processes, development of market-oriented economies, and observance of human rights in recipient countries;
- To develop political, economic, educational, social, cultural, and academia relations with other countries and international associations;
- To create a belt of good neighborliness along the Russian national borders; to prevent the occurrence and facilitate the elimination of the focal points of tension and conflict, as well as sources of drug trafficking, international terrorism and crime, primarily in the regions neighboring the Russian Federation;
- To develop trade and economic cooperation between Russia and its partner countries;
- To encourage the integration of the recipient countries' national markets and the Russian capital, commodity, services and labor markets; and
- To strengthen the credibility of Russia and promote an unbiased attitude to the Russian Federation in the international community.

While expanding its international development assistance, Russia will proceed from the fact that provision of international assistance is quite complicated and complex as it should take into account numerous interests and development factors. Besides, the process carries certain inherent – sometimes substantial – risks of “nurturing” corruption, noneligible use of allocated funds, and even the conservation of “parasitical” and inefficient public administration.

In view of the above and in line with the defined objectives, Russia's participation in international development assistance, except for the provision of food and humanitarian aid in the case of emergencies and natural disasters, will be based on the following principles:

- The recipient countries must have national poverty reduction and sustainable economic development programs and strategies and implement them in compliance with the principle of donor/recipient shared responsibility within the framework of global partnership to ensure sustainable development and poverty reduction;
- The recipient countries must demonstrate political trends or conduct reforms towards the development of civil society institutions in education, health, social assistance to the poor, etc.;

- The recipient countries must pursue anticorruption programs;
- Decision-making on assistance provision and use must be transparent; and federal budget allocations for international development assistance must be stable and predictable;
- Russia will coordinate its development assistance activities with other bilateral and multilateral donors;
- Consideration should be made of environmental and social implications of relevant projects and activities; and
- The recipient countries must demonstrate their interest in a consistent development of bilateral cooperation with Russia.

The Government will use an individual approach to providing assistance, envisaging a comprehensive review of political, economic, social and ethnic aspects of each recipient country. Russia will maintain an active dialog with aid recipients.

Russia supports efforts and initiatives designed to improve the quality, effectiveness and efficiency of international development assistance, in particular, the 2005 Paris Declaration on Aid Effectiveness, and will participate in developing common international approaches in this area and in the implementation of agreed-upon decisions.

III. Regional and Other Priorities of Russia's Participation in International Development Assistance. Modalities of Russian Assistance

Pursuant to the National Foreign Policy Concept, Russia will structure its international development assistance in line with the following regional priorities:

- To observe Russia's national interests in the process of multidimensional cooperation with the CIS countries, with the focus on the members of the Agreement on the Integrated Economic Space (IES) and the Eurasian Economic Community (EAEC); and strengthen integration processes within the CIS;
- To intensify efforts with a view to participation in Asia-Pacific integration structures and develop partnership relations with the leading Asian countries in all spheres, including joint assistance to the poorest nations;
- To meet Africa's special needs, including assistance to Sub-Saharan countries in poverty reduction and achievement of the Millennium Development Goals;
- To strengthen relations with Middle East and North Africa countries; and
- To develop cooperation with Latin America.

Taking into account the regional focus of its international development assistance policy, Russia intends to provide assistance in the following priority areas:

- Combating energy poverty by creating prerequisites for household access to vital resources (primarily power);
- Strengthening national health and social protection systems focusing, among other things, on preventing the spread of infectious diseases;
- Facilitating access to and quality improvement of education services, first of all, primary and vocational education;
- Promoting institutional development of recipient countries as a basis for the development of national social infrastructure and transboundary trade;
- Establishing and strengthening national anti-terrorism systems, including those that are designed to combat the financing of terrorist groups and organizations;
- Strengthening and improving the efficiency of public administration systems;
- Supporting activities aimed at the speedy resolution of military conflicts in all regions of the world, post-conflict peacebuilding, progressive socioeconomic development of post-conflict countries and prevention of the renewal of military standoff, inter alia, through Russia's increased participation in international peace support operations and in the context of Russia's activities in the UN Peacebuilding Commission;
- Facilitating trade, including simplification of procedures for transboundary movement of goods and services;
- Capacity building and implementation of specific actions in the field of environmental protection and resolution of transboundary environmental issues;
- Supporting recipient countries in the sphere of industrial development and innovations;
- Encouraging economic activity in recipient countries and creating prerequisites for involvement of the poorest groups in economic activities; and
- Facilitating the development of civil society institutions, including human rights protection.

Stepping up its efforts in the aforementioned areas of development assistance, Russia intends to rely on the available international experience. The main form of ODA is implementation of special poverty reduction programs jointly developed and carried out by recipient countries and donors (both multilateral and bilateral) using financial resources allocated to recipients on favorable terms and conditions. Prerequisites for implementing poverty reduction programs on a bilateral basis include the availability of channels for aid delivery to beneficiaries and a regulatory legal framework enabling the transfer of funds from Russia's federal budget to the recipient's national budget.

Before the above prerequisites are created, Russia will provide international development assistance mainly on a multilateral basis, that is by making voluntary and earmarked contributions to the international financial and economic institutions, first of all, to United Nations programs, funds, and specialized agencies, regional economic commissions and other organizations participating in development programs; by

participating in global funds; and by implementing special international initiatives of the Group of Eight, World Bank, IMF, and UN agencies.

International development assistance provided via international organizations will enable Russia to use major advantages of such aid: financial controls, well-established institutional mechanisms of aid delivery, additional opportunities for aid coordination and harmonization, and technical (expert) potential and knowledge.

At the same time, Russia intends to use and develop the existing capacity for aid delivery on a bilateral basis. Such assistance will be provided in the following forms:

- Earmarked financial grants, or goods and/services provided on a grant basis;
- Loans defined by the OECD as “official development assistance” to finance the supply of industrial products to the recipient countries, or investment projects implemented in the recipient countries on a maturity (which is longer than that of commercial credits), interest-bearing (at concessional interest rates) and repayment (these are not grants) basis;
- Technical assistance provided through knowledge and experience transfer to recipient countries with a view to developing national institutions in various sectors such as health, education, environmental protection, natural disaster prevention and control, and anti-terrorism activity;
- Debt relief, inter alia, by using debt-for-development swap operations, provided the debtor undertakes to use the freed resources for the purposes of national socioeconomic development;
- Food and humanitarian aid in the case of emergency or natural disaster;
- Facilitating the simplification and cost reduction and enhancing security and efficiency of national and international money remittance systems; and
- Tariff preferences and other privileges granted to developing countries to improve the access to Russian market for their goods and services.

In addition, Russia will provide international development assistance on a trilateral basis, involving the use of financial and logistic capacity of the “traditional” donor countries and international organizations. Such assistance will be provided through the already existing or newly created trust funds of the World Bank, United Nations, UN specialized agencies, and other institutions. However, Russia will have the right to select recipient countries and areas of assistance and will be able to use Russian technical assistance specialists.

Projects and programs in which Russia will participate will be predominantly financed from the federal budget. Russia intends to maintain the tendency (that has emerged over the last three years) to steadily increase its commitments relating to the financing of international development assistance programs. The amount of Russia’s commitments for such assistance increased from about \$50 million in 2004 to \$215 in 2006, including commitments made under Russia’s G8 chairmanship. In the next

several years Russia plans to increase its participation in international development assistance up to \$400-500 million per year.

As the necessary socioeconomic conditions are created, Russia will further increase provisions for such aid, aiming to steadily move towards the achievement of the UN recommended target: allocation of at least 0.7% GDP for purposes of international development assistance.

At the same time, the Russian Federation recognizes the importance of innovative sources and mechanisms of financing international development, including, for instance, the Advanced Market Commitments for vaccines (AMC). In this context, Russia is prepared to consider the level and modalities of its participation in individual initiatives in this area to identify additional sources of funding for international development assistance via governmental, private, internal and external channels.

IV. Planning and Administration of International Development Assistance

Decisions on providing assistance will be made by the Government of the Russian Federation as proposed by the MFA and MOF and with the participation of the federal executive authorities concerned.

Planning and financing of expenditure for Russia's participation in international development assistance will be part of the processes of formulation and execution of the federal budget and medium-term financial plan. Federal budget funds for Russia's development assistance activities will be allocated according to procedures and rules established by the Budget Code of the Russian Federation. It is envisaged that relevant amendments will be made to the Code to ensure the efficient functioning of the national mechanism for development aid, including introduction of the concept of official development assistance, ODA loans, technical assistance, etc.

Expenditures on Russia's international development assistance, including the determination of priority countries and regions, political advisability of aid provision, as well as the amount, delivery channels, types and terms of such assistance, will be jointly coordinated by the Ministry of Foreign Affairs and the Ministry of Finance in consultation with the federal executive authorities concerned.

Based on the planned cap on spending for international development assistance and with a view to support timely decision-making on Russia's activities in this area, the federal executive authorities concerned will present, within the defined timelines, their annual proposals on the required funding level to the Ministry of Finance, with such proposals supplemented with requisite supporting documents and agreed with the Ministry of Foreign Affairs so that they could be included in the draft longer-term financial plan and next-year federal budget.

The Ministry of Finance will take action to include the agreed-upon expenditures on international development assistance in the draft federal budget, release relevant parameters of the consolidated budget appropriations, budget commitment limits and levels to Chief Budget Administrators and spending units, and, together with the Federal Treasury, organize timely funding of the respective federal budget expenditure. Responsibility for eligible uses of the funds will rest with the federal executive authorities directly involved in budget execution in that area.

Russia's development assistance activities will be planned for a 3-year period parallel to the preparation of a medium-term financial plan. Such planning will include the following elements:

- review and forecast of Russia's economic development, including federal budget revenues and expenditures;
- collection and analysis of data on the political and socioeconomic status of the recipient countries, as well as their commercial and other relations with Russia;
- progress review of ongoing and review of proposed multilateral initiatives on international development assistance;
- review and forecasting of developing countries' needs for various types of development assistance;
- determining the optimal amount of Russia's international development assistance and projecting the level of development assistance funding to be provided by Russian private companies and non-profit organizations; and
- determining the multilateral/bilateral assistance ratio, as well as types and sectoral profile of assistance.

Such planning will serve as a basis for subsequent drafting of federal budget laws for relevant years in relation to spending for international development assistance, and for the development of the medium-term financial plan. Particular activities in the area of development assistance will be described in annual programs.

Consideration of and decision-making on international development assistance will occur in the following cases:

- On the initiative of the federal executive authorities concerned, or regional authorities whose regions border on the recipient countries;
- When a request for such assistance comes from a recipient country;
- In the case of emergency or natural disaster; and
- Upon a request from any international organization to provide financial or technical assistance in implementing any relevant initiative.

If there is an internal military conflict or any other political or economic constraint, a decision to provide assistance to the country in question will be made on a case-by-case basis, taking into account specific characteristics of the recipient country. To prevent noneligible uses of funds allocated to the recipient country under such circumstances, aid will be provided in the form of humanitarian goods, food and technical assistance.

Other conditions being equal, preference will be given to projects and programs involving the use of goods and services originating in Russia. Respective proposals and rationale are to be agreed with the Ministry of Industry and Energy.

The Ministry of Foreign Affairs and the Ministry of Economic Development and Trade, together with the Ministry of Finance, will prepare factual and analytical data on the political, social, economic and financial conditions in the recipient countries, as well as information on their trade and other relations with the Russian Federation, implementation of their socioeconomic development programs and/or poverty reduction strategies, if any, and implementation of anticorruption activities and efforts to ensure transparency in using international development assistance.

The Ministry of Foreign Affairs and the Ministry of Finance will provide information support to assistance operations and furnish relevant official data to foreign governments and international organizations.

V. Review and Performance Assessment of Russia's Participation in International Development Assistance

Information on the level and types of Russia's international development assistance is to be reviewed by the federal executive authorities directly involved in such operations. The Ministry of Finance will provide for an analytical review of development assistance funds allocated by the Russian Federation; develop guidelines for federal executive authorities to review assistance provision; and approve relevant reporting forms. The Ministry of Finance will furnish summarized data on Russia's development assistance activities to the Organization for Economic Cooperation and Development (OECD).

The cost effectiveness of federal spending for international development assistance will be assessed by the Ministry of Finance and the Ministry of Foreign Affairs in consultation with other ministries and agencies concerned, based on certain rules and criteria, with the crucial ones shown below:

- achievement of the planned outcome of ODA provision and contribution of ODA to the outcome;
- ODA cost/benefit ratio;
- sustainability of ODA positive impact;

- justifiability of the specific types of assistance provided in the context of general development assistance policy;
- contribution to the development of bilateral political and other interactions between recipient countries and Russia; and
- expected and unexpected benefits from ODA provision.

Performance assessment of Russia's participation in specific development assistance projects will be conducted together with the authorities of the recipient country and/or leadership of international organizations. Based on aid effectiveness assessment and review, the Ministry of Foreign Affairs and the Ministry of Finance, as mutually agreed, can approach the Government of the Russian Federation with proposals to suspend/discontinue assistance provision in areas where federal budget funds have not yielded or cannot yield the expected benefits.

The Ministry of Finance and the Ministry of Foreign Affairs will jointly prepare annual reports on the outcomes of Russia's development assistance activities.

VI. Role of Academia, Civil Society and Business Community

International development assistance activities pursued by the Government of the Russian Federation will involve representatives of academia, civil society, and the private sector. Federal executive agencies will inform such representatives of partnership development opportunities available in the recipient countries, assist investors and exporters in establishing and maintaining relations with such countries, and create conditions and prerequisites for private sector involvement in projects pursued by international organizations in the developing countries.

At present, one key objective of the academic community is to organize staff training in order to address issues formulated in this Concept, including the creation of prerequisites for increasing international technical assistance under bilateral development and poverty reduction programs.

Russia's civil society and nongovernmental organizations are working to develop cooperation with foreign nongovernmental and charity organizations, promote the development of cultural and humanitarian relations, and provide information support to international development assistance. In line with the existing international practice, the Government of the Russian Federation intends to consider procedures and terms of providing federal funding for such organizations so that they can be used as a channel to deliver Russia's assistance to the recipient countries.

Transboundary interests of Russian businesses determine the need for them to step up efforts in international development assistance, especially in countries bordering on the Russian Federation and Sub-Saharan Africa. The Government intends to coordinate its efforts and plans in these regions with the steps undertaken by Russian businesses and their professional associations.

VII. Formulation and Implementation of Russian Policy on International Development Assistance

The President of the Russian Federation, within his constitutional powers, will be responsible for overall leadership for the Russian policy in international development assistance and will approve Russia's strategic goals and objectives in this area.

The Federation Council and the State Duma, within their constitutional powers, will carry out legislative work to support Russia's participation in and delivery on its commitments for international development assistance.

The Government of the Russian Federation will approve an Action Plan for Russia's participation in development assistance, make decisions on aid provision as proposed by federal authorities, and monitor the delivery of Russia's assistance.

The federal executive authorities – the MOF, MFA and other entities concerned – will be directly involved in the implementation of this Concept. The MFA, together with the MOF, will formulate the policy and coordinate actions of federal executive authorities in the area of development assistance.

Financial support for implementation of this Concept will be provided from the federal budget in accordance with the Budget Code of the Russian Federation, and also by the private sector, members of the business community, and nongovernmental organizations.

When preparing decisions in the area of international development assistance, federal executive authorities will work together, as necessary, with Russian nongovernmental organizations, thus expanding involvement of Russian civil society in development assistance efforts.

The Concept will be implemented in accordance with Russia's Action Plan for participation in international development assistance, to be approved by the Government for a 3-year period.

This Concept can be amended, updated, and improved as Russia's socioeconomic and political position in the world evolves and with consideration for potential changes in global practice of international development assistance.