

Data Sheet

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

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

Inputs, Outputs, Activities:

FY 2004 Program:

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

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

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

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

FY 2005 Program:

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

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

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

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

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