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IMPROVING EFFICIENCY OF PUBLIC GOVERNANCE

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IMPROVING EFFICIENCY OF PUBLIC GOVERNANCE

NOVELTIES IN THE LAW AND REGULATION INTRODUCED BETWEEN 01/01/04 AND 04/30/05

Year 2004 witnessed emergence of a new structure of the federal government. The new structure is streamlined by the governance levels. It is more centralized with the number of ministries and departments being significantly reduced and the redundant functions eliminated. The appointment procedure for top figures has also been made more centralized and formalized. (President Decree N 314 of March 9, 2004 *On System and Structure of Federal Executive Bodies*). Yet the new system is to prove its efficiency. A number of measures has also been proposed to optimize of the functions of the Administration of the President. In particular, it is expected that its expenses will be cut, the functions of the staff clarified, and the procedure for communication with the Government formalized and streamlined. (Presidential Decree N 400 of March 25, 2004 *On Executive Office of the President of the Russian Federation*).

The administrative reform and the reform of public service were launched with the Presidential Decree N 910 of July 16, 2004 *On Measures to Improve Public Administration*, which sets up the Presidential Commission on Improving Public Administration. The Commission is responsible for drawing up and submitting to the President drafts of federal laws and other statutory acts on enhancement of public governance.

One of the first steps is the Federal Law N 79-FZ of July 27, 2004 *On Official Public Service in the Russian Federation*. The Law defines the state service as a civil society institution and elaborates on procedures including examination and verification of officials' qualifications, their training, motivation, and recruitment.

A major novelty aimed to raise efficiency of public spending is Government Statutory Act N 80 of February 14, 2004 *On Measures for Implementation of Federal Law "On Federal Budget-2004"*. In particular, the act makes it illegal for the Government to amend the annual budget after the Budget Law is signed by the Duma. The act also rules out any possibility for using the federal budget for financing contracts of federal institutions in excess of the established spending limits.

Higher efficiency of government spending is also expected from the budget reform initiated in April of 2004. the idea of the reform is to develop a mechanism that would link public expenditures to the outcome – quantified public costs and benefits (Government Act N 249 of May 22, 2004).

Drastic changes in the taxation system of the Russian Federation have been brought in by Federal Law N 95-FZ of July 29, 2004 *On Amendments to Parts One and Two of the Tax Code*. The Law reduces the number of taxes and duties, streamlines the tax base, and terminates almost all current tax privileges. Overall, the adopted measures aim at making the taxation more transparent and less complicated. Along with the reforming the fiscal system at the federal level, a number of changes have been implemented at the regional and municipal levels. In particular, the principle of a balanced local budget was suggested, the excess or unplanned subventions have been rules out, as well as any expenses that are not adequately financed (State Duma Act N 935-IV GD of August 3, 2004).

EXPERT ASSESSMENT OF REFORMS BETWEEN 01/01/2004 AND 04/30/2005

In 2004 first practical steps were made to reform the structure of the public governance and public service. According to the *Concept of the Public Service Reform* approved by the President of the Russian Federation in 2001, the key objective of the reform is to assist business by reducing administrative barriers and easing the red tape. To this end, the intermediate results are as follows:

- (1) a new functional structure for federal public administration has been established,
- (2) the support staff in both executive and legislative bodies has been cut,
- (3) a procedure for privatization of public (government-controlled) assets and a framework for commercial activities of public institutions and unitary enterprises have been established.

It is important that the above mentioned laws and initiatives are largely research-based. They are based on a number of studies of the prescribed functions and the practice.

It can be concluded that the lack of external motivation represents a serious threat for the administrative reform in Russia. There is no any national-wide force such as a political party or any other public institution that would enforce the executive authorities to implement the reform and to provide monitoring. This could be done by parliamentary and off-parliamentary activities. But no motivation is seen on the part of the State Duma, whereas the reform enjoys no broad public support from the civil society institutions, which are either weak or nonexistent. In fact, the motivation comes from a private initiative group and, possibly, the President, whereas the concept is a product of rather academic work but not of a platform of a political party or an alliance.

As a result, the newly adopted laws and regulations are not fully consistent and they demonstrate some inefficiencies. The following drawbacks and difficulties need to be emphasized:

- (1) the political and administrative powers of executive bodies have not been separated, with ministers still administrating and approving current decisions of the subordinated agencies and departments,
- (2) while the structure was drastically changed and functions revised, the functions, the flows of information and financial flows have not been optimized,
- (3) no progress is seen (with regress in certain cases) in information transparency as well as no improvements in the interest groups regulation,
- (4) except for issues of tax administration, the reform failed to reach the sub-federal authorities,
- (5) no adequate mechanisms created for pre-court appeals against actions of government bodies and officials.

Overall, the steps undertaken during the study period make very little to improve the relationship and communication between the state, civil society institutions and business. In part, this is because of the incompleteness and inconsistency of the reform, in part this is due to the vague position demonstrated by the President, the government and the Federation Council. The poor implementation procedure is responsible too.

Those five points need to be addressed as high-priority issues in 2005.

In addition to the above mentioned, the government is advised to take on the following measures:

- to develop the IT support for administrative processes and to introduce the use of electronic documents, to give the electronic documents a full or partial legal status. This reform has been earmarked by the federal program *Electronic Russia 2002 – 2010*,
- in labor contracts with employees, to complement the assessment system by an efficient motivation scheme, to implement a monitoring of the performance of both the staff members at the individual level and the departments,
- to develop the federal public service standards, procedures, and compensation-by-result system for the staff in line with the Federal Law *On Public Service in the Russian Federation* of July 27, 2004.

There is no need in additional research. The outcome now largely depends on the organization and the political will.

LIST OF MAJOR LAWS AND STATUTORY ACTS

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
administrative reform and reform of public service	Government, <i>Regulation N 78 of February 13, 2004</i>	On Wages for the Employees of the State Courier Service of the Russian Federation	The act defines the pay procedure, deregulates the decision-making mechanism for compensations and payments to the Courier Service employees. For the first time, the Service has obtained a free hand for setting bonuses and compensation payments related to specifics of the employees' activities (as per list agreed upon with Ministry of Labor and Social Development).
Government spending efficiency Tax reform Inter-budgetary relations and local government	Government, <i>Regulation N 80 of February 14, 2004</i>	On Implementation of Federal Law "On Federal Budget for Year 2004".	<p>The act establishes a procedure for amending the draft budget. In particular, this year changes in the combined list under Article 35 of Federal Law "On Federal Budget for Year 2004" shall be introduced by the Finance Ministry upon special requests from the federal funds administrating bodies. No amendments generating a positive balance surplus are allowed. Any amendment needs to be considered in accordance with the Budget Law. In other words, the once adopted budget plan can not be adjusted to the circumstances by the Duma or by the government.</p> <p>In 2004 the financial liabilities of the federal institutions which operate under the contracts financed out of federal budget shall not be financed by federal funds in excess of the initially established levels. In purchasing goods and services, in extending established payments, in entering into contracts for supplies of works and services, and in taking other liabilities which shall be funded from public (federal) sources, the federal institutions shall not exceed the annual limits. The limits, in turn, have to comply with the structure of the economic classification of expenditures of the official budgets.</p> <p>The institutions are required to provide the Treasury with documents on assuming payments for heating and technical needs, natural gas consumption, petrol, electricity, water supply and other utilities.</p> <p>The same refers to the national security and special service institutions. If</p>

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
			<p>the above documents disclose operating plans of such federal institutions, only unspecified document shall be submitted.</p> <p>The repayment of debt to the Ministry of Finance by public institutions is now motivated economically. The federal law provides some economic motivation. On behalf of the Government, the Ministry shall enter into agreements on agency functions in relation to the <i>Russian Development Bank</i>, <i>Russian Agricultural Bank</i> and <i>Rosagroleasing (Russian Agricultural Leasing)</i> to ensure debt repayment in 2004 as per Articles 78 and 79 of Federal Law <i>On Federal Budget for Year 2004</i>. The bank therefore will act as an agent on behalf of the government. At that, remuneration in the amount of 10 million rubles to each has been fixed for execution of the government agency function.</p>
<p>Government spending efficiency</p> <p>Inter-budgetary relations and local government</p>	<p>State Duma</p> <p><i>Regulation N 82-IV of February 13, 2004</i></p>	<p>On draft Federal Law N 364776-3 <i>On Amendments to Article 26(4) of Federal Law "On General Principles for Organization of Legislative (Representative) and Executive Government Bodies of the Russian Federation Subjects"</i></p>	<p>The public spending decision making and control remain centralized. The State Duma rejected an the proposal aiming to increase the role of regions in the defcision-making at the federal level.</p>
<p>Tax reform</p>	<p>Federal Law N 10-FZ of March 5, 2004</p>	<p>On Amendments to Federal Law "On Basics of Compulsory Social Insurance" due to introduction of a single social tax</p>	<p>The act specifies terminology and establishes that the Law is now extended to the regulation of the self-employment.</p>

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Administrative reform and the reform of public service de-bureaucratisation and reform of technical regulations	President <i>Decree N 314 of March 9, 2004</i>	On System and Structure of Federal Executive Bodies	The Decree sets up a new executive branch structure and defines responsibilities and competencies of federal ministries, agencies, and departments as well as responsibilities and procedure for appointment of top figures. Now the government is divided into three levels and more centralized. The new system ensures or at least is supposed to ensure a lesser degree of redundancy and procedural inefficiencies.
Administrative reform and the reform of public service	President <i>Decree N 393 of March 22, 2004</i>	On Amending Certain Decrees of the Russian Federation President on Government Service	The Decree makes up for an omission in the current regulation. It defines the legal status of the government employees for the trade councilors and the trade attaches.
Administrative reform and the reform of public service	President <i>Decree N 400 of March 25, 2004</i>	On Executive Office of the President of the Russian Federation	The Decree offers measures to optimize the functions of the President Administration and to cut its expenses. Those include a more clear division of responsibilities, more formalized procedures and codes of conduct and the staff reduction.
Administrative reform and the reform of public service	Government <i>Regulation N 215 of April 16, 2004</i>	On Optimization of Coordination, Advisory and other Bodies and Groups Established by Russian Federation Government	The list of nominees has been agreed upon.

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Inter-budgetary relations and local government	State Duma <i>Regulation N 383-IV of April 16, 2004</i>	On Draft Federal Law N 390444-3 <i>On Amendments to Paragraph 4 of Article 26(11) of Federal Law "On General Principles for Organization of Legislative (Representative) and Executive Government Bodies of the Russian Federation Subjects"</i>	A draft proposing that accounting of the public real assets owned by the subjects (regions) of the Russian Federation shall be subject to the regional regulation has been considered. It was decided not to proceed with the draft and to preserve the current wording that states the accounting is subject to the federal law.
Administrative reform and the reform of public service	Government <i>Regulation N 520-r of April 26, 2004</i>	On Structure of Executive Office of the Russian Federation Government	the staff of the mentioned bodies was cut and optimized to improve the efficiency of the Government and to streamline the structure of the Government Administration.
Administrative reform and the reform of public service	Government <i>Regulation N 226 of April 30, 2004</i>	On Governmental and Interagency Coordination, Advisory and other Bodies and Groups Established by Russian Federation Government and Federal Executive Bodies	<p>The decree specifies and formalizes the statuses of coordination and advisory councils. It aims to reduce inefficient activities and to restrain the bureaucracy.</p> <p>The coordination bodies now are divided into commissions and organization committees. A commission can be established for providing coordination across government institutions while the organization committee can be established in order to fulfill a specific assignment.</p> <p>Advisory bodies titled councils can be formed in order to provide consultations and advisory support for the government on specific issues of interest.</p>

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<p>Administrative reform and the reform of public service</p> <p>Budgetary sector reform</p> <p>Privatization and management of government assets</p>	<p>President</p> <p><i>Decree N 649 of May 20, 2004</i></p>	<p>On Structure of Federal Executive Bodies</p>	<p>1) To enhance management efficiency, minor changes have been introduced in the structure and the code of conduct of executive bodies, with the Ministry of Transportation and Communications divided into the Ministry of Transportation and the Ministry of Communications. Practice proved a big structure less efficient.</p> <p>2) The decree provides legal specification of government services, setting forth that budgetary and other institutions may assign the “state” title to rendered services only if these are included in a list adopted as a federal law. In particular, this decree creates a legal basis for determining financial relations between the public institutions and the state budget, as well as for privatizing the such institutions and public assets.</p>
<p>Administrative reform and the reform of public service</p> <p>Privatization and public asset management</p>	<p>Government</p> <p><i>Regulation N 682-r of May 21, 2004</i></p>	<p>On Approval of Co-Heads of the Working Group of the Commission for Administrative Reform</p>	<p>Within the government's Commission for Administrative Reform, the decree sets up a number of working groups on optimization of structure and functions of federally-funded government institutions, federal unitary enterprises and other federal enterprises.</p>
<p>public spending efficiency</p>	<p>Government</p> <p><i>Regulation N 249 of May 22, 2004</i></p>	<p>On Improving Efficiency of Public Spending</p>	<p>The Regulation approves the <i>Concept for Reforming the Budgeting in the Russian Federation in 2004-2006</i>. It aims to link public spending to the outcome meaning public costs and benefits resulted from the financed activities. The reform essentially shifts budgeting from the <i>management of expenditures</i> to the <i>management of results</i>.</p> <p>Prior to the Regulation, the budget was formed by indexation of standard expenses with their detailed breakdown over items in the budget classification. Under tough budget constraint, the approach ensured a balanced budget. At the same time, the projected expenditures were often unrealistic or ill-defined, whereas budget management was effectively reduced to monitoring the correspondence between the actual and planned figures.</p> <p>Under the new concept, the budget is to be derived from targets or control</p>

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			<p>figures. The allocation of public funds will be clearly linked to the functions (services and activities). The planning will now focus on the end results within specific public spending programs.</p> <p>The new approach enhances the independence and responsibility of budget administrating bodies by establishing the so-called long-term transient allocation limits. The limits are part of the mid-term financial plan, annually revised. The new approach establishes an execution procedure accounting for functions and programs assigned to the budget administrators. It motivates an optimal use of resources (human, equipment, real assets). In control, the priority is placed on internal control with responsibilities delegated to the lower levels.</p> <p>Monitoring and subsequent external audit are extended towards funds, and activity end results, whereas end results pose as the criterion of administrators' performance. The core of the budgeting is now the concept (model) of result-oriented budgeting within the mid-term planning, broadly used in many countries.</p> <p>For the 2005 and 2006 federal budget drafts, an experiment is proposed to introduce a new budget planning method. This will be done within the current regulation, where the new procedure complies with the current budget regulation. Public funds to be distributed between federal executive bodies and between the programs will be distributed according to the new procedure. This will be done on a competitive basis. Supportive materials appropriate for the evaluation of the programs as well as the expected outcome and the management quality will be taken into account. Initially, the allocations will be limited to 300 m rubles, whereas later its share in the overall federal budget may grow depending on the experience in the new budget planning methodology and on the developments in the monitoring techniques.</p> <p>The Concept's main principles and the budgeting reform approaches refer to all levels of the Russian Federation budgetary system.</p>

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<p>Privatization and public asset management</p> <p>Administrative reform and the reform of public service</p> <p>Reduction of red tape and technical regulation reform</p>	<p>Government</p> <p><i>Regulation N 260 of June 1, 2004</i></p>	<p>On Regulations for the Government of the Russian Federation and Administration of the Government of the Russian Federation</p>	<p>1) The act establishes the practice code (procedural regulations) for the Government and the rules of document circulation. The practice becomes more formalized, with more detailed and complete description of procedures. The document circulation is placed under dual control – document copies now pass to the employees the task has been assigned to who, then, report on the instruction receipt and the task execution. The regulations also set a procedure for elaboration of documents, opinions, draft laws, as well as the communication rules.</p> <p>2) The Regulation formalizes the status of commissions and organization committees. A committee can be established as a temporary institution to carry out public campaigns or activities as well as to coordinate activities across various ministries and departments where necessary. Technical assistance and provision of a committee should be assigned to the federal executive body a head of which is heading the committee.</p> <p>The organization committee shall be dissolved after its tasks are reported to be completed and the Government has approved the report (presented by a head of the committee). The regulation is aimed to reduce red tape in organization of public activities and coordination across state departments.</p> <p>3) A modified procedure for the Government representation in common law courts and arbitration courts has been approved. Only federal ministries are now allowed to submit the court applications.</p>
<p>Tax reform</p>	<p>Federal Law N 60-FZ of June 30, 2004</p>	<p>On Amendments to Chapter 29 of Part Two of the Tax Code</p>	<p>The Law amends the gambling industry regulation. The new rules streamline accounting and tax redistribution in regions but are more complicated and difficult to follow for the taxpayers. Each object of taxation, i.e. a gambling playroom, etc., now needs to be registered with the fiscal tax unit the operator is registered with. Previously the tax authorities registered the total number of facilities at their locations.</p>

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Tax reform	Federal Law N 58-FZ of June 29, 2004	On Amendments to Statutory Acts of the Russian Federation and Nullification of Certain Statutory Acts of the Russian Federation in Relation with Steps on Public Administration Improvement	<p>Federal executive bodies authorized to control and monitor taxes and custom duties have been divested of the right for issuing statutory acts on taxes and duties.</p> <p>The Law eliminates the mandatory publication of laws and regulation acts related to fiscal regulation. From now on, non-compliance with new norms and rules including the schedule is a sole responsibility of the taxpayer. The absence of an "official publication" is no longer an excuse for a missed deadline, etc.</p>
Administrative reform and the reform of public service	President <i>Decree N 727 of June 8, 2004</i>	On Approval of Regulations for the Department of Public Service, the President Administration	The Decree establishes the status of the Public Service Department that becomes an independent unit within the President Administration. The Department is authorized to provide organizational support to the public service reform, draw up draft laws, provide analytical support, and act as an official contractor for the staff training abroad. It aims at improving efficiency in decision making and of the staff training expenses.

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Administrative reform and the reform of public service	President <i>Decree N 910 of July 16, 2004</i>	On Measures to Improve Government Management	<p>The Decree provides for practical implementation of the administrative reform, forming Presidential Commission on Improving Public Administration that incorporates working groups on:</p> <ul style="list-style-type: none"> • measures for government service reform; • federative relations and local government; • system and structure of federal executive bodies. <p>The groups are aimed to study possible practical ways to restructure the government service and set out major criteria and requirements for government workers and structures.</p> <p>The Commission shall tackle the following key tasks:</p> <p>a) coordination of Presidential and Government advisory and consultative bodies engaged in the area of government service improvement;</p> <p>b) elaboration and submission to President of draft federal laws and other statutory acts on improvement of government service.</p>
Administrative reform and the reform of public service	Government <i>Regulation N 357 of July 17, 2004</i>	On Government Contracts for Training and Advanced Training of Workers of Federal Executive Bodies in 2004	<p>Proceeding from prior analysis of requirements, the Regulation approves government contracts for training and advanced training of the federal government employees in 2004. The Regulation specifies the number of trainees, curricula and allocations in relation to programs and ministries/agencies for the entire year. It is expected that the program of training will not be revised.</p>

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Administrative reform and the reform of public service	<i>Federal Law N 79-FZ of July 27, 2004</i>	On Civilian Government Service in the Russian Federation	<p>The Law provides for a number of measures to enhance openness and accessibility of government civil service, as well as its relationship with civil society institutions. Relationship is established between federal and regional government services, as well as between civilian service and other types of government service in the Russian Federation. The Law offers a detailed description for personnel work including examination and reexamination of civil servants, organization of their training and establishment of personnel reserve.</p> <p>Before adoption of this Law, the Federal Law <i>On the Principles of Public Service in the Russian Federation</i> and the Labor Code of the Russian Federation had treated the relations of government civil servants as labor relations regulated specifically. Now, most <i>specific</i> norms have been terminated. Regulation of official relationships of the government employees almost fully reproduces appropriate provisions of the Labor Code.</p> <p>The Law requires mandatory elaboration and approval of <i>official rules for civil servants</i> to define responsibilities, rights and other features of their official activities.</p> <p>The Law requires entering into a <i>service contract</i> with civil servant; defines the contract's key contents, forms and periods; and envisages a detailed procedure for contract completion.</p> <p>The Law establishes a flexible payment schedule, which makes possible differentiating the worker's pay depending on his performance and end results.</p>

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
<p>Tax reform</p> <p>public spending efficiency</p> <p>Inter-budgetary relations and local government</p>	<p><i>Federal Law N 95-FZ of July 29, 2004</i></p>	<p>On Amendments to Parts One and Two of the Russian Federation Tax Code and Nullification of Certain Statutory Acts (Provisions of Statutory Acts) of the Russian Federation on Taxes and Duties</p>	<p>The tax system is modified along three lines: (a) fewer taxes and duties; (b) more systematic and simplified calculation; (c) fewer privileges and exemptions. In particular, the following measures have been taken:</p> <ul style="list-style-type: none"> • Beginning from 2005, the number of taxes and duties in the Russian Federation is cut to fifteen and the number of taxation schemes – to four. • The taxation procedure and taxation powers are organized to match the new structure of municipal entities. • Currently, a tax or due may be established only by law and only by direct listing of essential elements of a tax obligation. (As before, establishment of a tax is a subject of legislative regulation and not a constitutional issue.) • As for the imputed tax on small business, the local authorities have been given with the right to select the adjustment factor and the types of businesses that might be eligible for this tax from the list from the Tax Code.
<p>Tax reform</p>	<p><i>Federal Law N 92-FZ of July 28, 2004</i></p>	<p>On Continued Experiment in Immovable Property Taxation in the Cities of Veliky Novgorod and Tver and Amendments to Federal Law “<i>On Experiment in Immovable Property Taxation in the Cities of Veliky Novgorod and Tver</i>”</p>	<p>The experiment is designed to test a new, previously approved taxation scheme for property and real estate in order to avoid double taxing. The Law also specifies the experiment procedure.</p>

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Tax reform	<i>Federal Law N 86-FZ of July 28, 2004</i>	On Amendments to Chapter 22 of Part Two of the Russian Federation Tax Code	Grouping has been changed for all excisable goods, with higher excises for consumer unfriendly ones. Simplified calculation reduces grounds for optimizing taxes in this area, especially for perfumery and wines. For example, there is now a single rate for all non-sparkling wines.
Tax reform	<i>Federal Law N 66-FZ of July 20, 2004</i>	On Amendments to Articles 346(27) and 346(29) of the Russian Federation Tax Code	The Law introduces a definition for <i>vehicle</i> , and specifies the physical parameter of basic return in relation to automotive services. The amendments clarify definitions of the businesses and activities in the automotive services for the fiscal purposes.
Tax reform	<i>Federal Law N 65-FZ of July 20, 2004</i>	On Amendments to Part Two of the Russian Federation Tax Code О внесении изменений в часть вторую Налогового кодекса Российской Федерации	Amendments and supplements introduced into Chapter “Taxation in the Form of a Single Tax on Imputed Income for Certain Activities”. The tax can be levied on taxpayers who render vehicle storage services at commercial parking lots.
public spending efficiency Tax reform Inter-budgetary relations and local government	State Duma <i>Regulation N 935-IV GD of August 3, 2004</i>	On Draft Federal Law <i>On Amendments to Statutory Acts of the Russian Federation and Nullification of Certain Statutory Acts of the Russian Federation due to Adoption of Federal Laws “On General Principles for Organization of Legislative (Representative) Bodies in the Russian Federation” and “On General</i>	The Regulation is aimed to propose a law that would prevent regional and municipal authorities from maintaining unbalanced budgets, to streamline of social support, and to exclude from the Law welfare benefits that cannot be rendered in full scope. In accordance with the Duma-suggested wording, the Law sets the following novelties: 1) Attempt has been made to rule out situations where the federal budget face requests for subventions not included in the budget. It is now not possible to define administrative responsibilities and budget expenditures of the regions by a federal law. The wording “attempt has been made” has been employed because efficiency of the decision is to be seen. 2) The Law provides for assigning the subjects (regions) of the Russian

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		<i>Principles for Organization of Local Government in the Russian Federation”</i>	<p>Federation with federal powers only in case federal budget subventions have been rendered.</p> <p>3) The Law requires clear distribution of commitments between budgets of all levels. With regard the expenditure planning, the following is to be ruled out:</p> <ul style="list-style-type: none"> - financing simultaneously from two budget levels, - financing defined in terms of a consolidated budget, - defining particular expenditures without defining the sources of financing. <p>4) The Law improves the efficiency of the welfare budget by allowing the government to determine the most impoverished citizens and to define the categories of the population the aid needs to be addressed to.</p> <p>5) The law terminates the commitments for budgets at all levels, which have been deprived of financial sources or proved to be unfeasible.</p>
Privatization and public asset management	Government <i>Regulation N 1124-r of August 26, 2004</i>	On Approval of Perspective Plan (Program) for Privatization of Government Assets for Year 2005	<p>In years 2005 – 2007 public offering will take place in relation to shares of former state unitary enterprises, now incorporated or planned to be incorporated.</p> <p>According to the Regulation, in 2005 – 2007 the government policy in privatization of federal property will have the following key tasks:</p> <ul style="list-style-type: none"> • privatization of federal property and production assets except for those performing the state functions (defined by the law); • stage-wise reduction of federal state unitary enterprises; • acceleration of privatization of federal property; • generation of additional revenues for federal budget. <p>In 2006 – 2007 offered for sale shall be <i>all</i> federal state unitary enterprises except for those performing the state functions.</p>

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public spending efficiency Inter-budgetary relations and local government	<i>Federal Law N 120-FZ of August 20, 2004</i>	On Amendments to Budgetary Code of the Russian Federation in Regulation of in Inter-Budgetary Relations	Separation of fiscal powers of federal and regional authorities
Tax reform	<i>Federal Law N 104-FZ of August 20, 2004</i>	On Amendments to Article 4 of the Russian Federation Law <i>On State Duties</i>	To make credit more attractive for the economy: - lowered federal fees for certification of mortgage contracts, provided that the requirement is set by a federal law; - cancelled federal fees for registration of contracts for mortgage of immovable property (mortgage contracts) and issuance of appropriate registration document.
de-bureaucratization and technical regulation reform	President <i>Decree N 1135 of September 1, 2004</i>	On Approval of Rules for Presidential Department of Information and Document Support	The Decree sets procedures for document circulation and submission of documents to the President. The purpose of the change is to provide the President with more accurate and complete information, as well as to develop a more efficient information provision.

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the natural resources management	State Duma <i>Regulation N 987-IV GD of September 24, 2004</i>	On Draft Federal Law N 60185-4 <i>On Amendments and Supplements to Article 2 of Federal Law "On Implementation of the Russian Federation Land Code"</i>	<p>The draft aims to move down the land prices and to stimulate land buyout by enterprises. The draft has been rejected, yet it has been declared that further improvements needed in the land property rights as well as in the long-term land lease.</p> <p>The amendments to the current regulation are needed in matters related to the land pricing within privatization of state and municipal property. The current regulation is incomplete and partly controversial. Article 2 of Federal Law <i>On Implementation of the Russian Federation Land Code</i> refers the issue of land tax multiple rate to the Russian Federation subjects but fails to provide a clear answer as to whether the multiplicity may be differentiated depending on the user (taxpayer) activity and land plot location.</p> <p>The draft was intended to allow the Russian federation subjects to differentiate the multiple rate for certain land users. The law adoption would have meant wider discretion in setting the rates for the regional authorities.</p>
public spending efficiency	Government <i>Regulation N 508 of September 30, 2004</i>	On Procedure for Management of the Russian Federation Stabilization Fund	The Regulation defines the procedure for spending out of the Stabilization Fund and specifies foreign debt instruments the Fund assets can be invested in. It specifies the conditions (indices) those instruments need to satisfy and rules for information disclosure (quarterly reports of the Finance Ministry to the Government on the portfolio composition without risk analysis).

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
Inter-budgetary relations and local government	<i>Federal Law N 123-FZ of October 3, 2004</i>	On Amendments to the Russian Federation Land Code, Federal Law <i>On Implementation of the Russian Federation Land Code</i> and Federal Law <i>On Use of Agricultural Lands</i>	Religious organizations owning buildings and infrastructure facilities for religious and charitable purposes on federal or municipal lands (premises) shall receive property rights towards these plots free of charge. Plots classified as the agricultural lands, which have been granted to religious organizations for permanent use (perpetuity), may be handed over into their ownership in cases specified by laws of the subjects of the Russian Federation.
Administrative reform and the reform of public service	President <i>Decree N 1294 of October 11, 2004</i>	On Approval of the Government Posts List for Federal Government Categories B and V in the Executive Office of the Russian Federation Government	The Decree approves a new personnel arrangements in thre Administration of the Russian Federation Government. The purpose of the change is to better link the arrangements to the practice. After April 26, 2004 only newly approved lists shall be used towards persons appointed to the positions with federal government.
the natural resources management	State Duma <i>Regulation N 1022-IV GD of October 15, 2004</i>	On Draft Federal Law N 97801698-2 <i>On Licensing of Mineral Resources Use</i>	The draft federal law was withdrawn form consideration as minor and non-relevant. It was intended to establish a single procedure for licensing subsoil assets and activities related to the exploration and use of the subsoil assets, for license issuance, registration, re-issuance, restriction, suspension or termination, protection of license holder rights, as well as for observance of national interests and interests of the subjects of the Russian Federation, requirements to protection and rational use of mineral resources, prevention of mining processes that affect the environment. Licensing of subsoil assets exploration and use has been found to be redundant, with appropriate matters to be considered within the Federal Law on Subsoil Assets.

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
Administrative reform and the reform of public service	President <i>Decree N 1439 of November 15, 2004</i>	On Improvements in Pay System for Persons Occupying Federal Government Positions in Presidential Executive Office and Amendments to Certain Decrees of the Russian Federation President	The Decree establishes amounts of pay for government officials adapted to the market dimensions via permanent bonuses. The bonuses will be calculated using a factors against the currently established official wage rate. The Decree raises the currently employed factors and sets forth a legal basis for paying the government employees a relevant compensation.
Administrative reform and the reform of public service	President <i>Decree N 1440 of November 15, 2004</i>	On Amendments to Federal Program <i>Reform of the Russian Federation Government Service (2003 – 2005)</i> approved by Presidential Decree N 1336 of November 19, 2002	The Decree amends and specifies the schedule of measures to be taken.
Administrative reform and the reform of public service	Government <i>Regulation N 1444-r of November 15, 2004</i>	On Establishment of Working Group on Planning and Improvement Mechanisms for Management of Administrative Reform within the Government Commission on Administrative Reform	The Regulation set up a working group in charge of execution of measures within the administrative reform.

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
Administrative reform and the reform of public service	Government <i>Regulation N 1581-r of December 8, 2004</i>	On Signing the Memorandum of Understanding between the Governments of the Russian Federation and Republic of France on Cooperation in Training of Managers for Economic and Government Service Organizations of the Russian Federation in Years 2005 – 2007	The proposal of the Ministry for Economic Development and Trade on training programs has been approved. The Government will participate in a number of training programs for economic and government service organizations.
Inter-budgetary relations and local government	<i>Federal Law N 159-FZ of December 11, 2004</i>	On Amendments to Federal Law <i>On General Principles for Organization of Legislative (Representative) and Executive Government Bodies of the Russian Federation Subjects</i> and Federal Law <i>On Basic Guarantees towards Electoral and Referendum Rights for Citizens of the Russian Federation</i>	<p>The balance of powers between the President and the legislative bodies has been changed in favor of the President. The Law enhances control over execution of federal laws in the regions. Powers of regions and local authorities in the legislative initiative area have been reduced. In particular, the President obtains the right to dissolve a legislative (representative) body of the subject of the Russian Federation, if the body fails to take appropriate measures upon a court decision within three months after receiving a presidential notice.</p> <p>The Law sets forth a procedure for appointing regional top executives by the President. The scheme is designed in order to enhance reforms and management efficiency and to improve execution of central decisions, as well as to weaken the regional elites.</p>

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
public spending efficiency	Government <i>Regulation N 842 of December 25, 2004</i>	On Amendments to Procedure of Development and Implementation for Purpose-Oriented Federal and Intergovernmental Programs with participation of the Russian Federation	<p>1) The Regulation makes the government coordinating contractor responsible for preparation and implementation of the entire programs, whereas previously the responsibility was rather detailed but still not sufficient to qualify work unsatisfactory or incomplete if that was the case.</p> <p>2) Following the Regulation, prior to approval by the Russian Federation Government, program drafts shall undergo a mandatory external expert study, whereas previously the requirement had been optional. Also set out are cases when the external expertise shall be carried out at public expense.</p>
<p>Inter-budgetary relations and local government</p> <p>the natural resources management</p>	<i>Federal Law N 199-FZ of December 29, 2004</i>	On Amendments to Russian Federation Legislative Acts Due to Broader Powers of Bodies of Russian Federation Subjects in Joint Operations of Russian Federation and its Subjects, as well as Due to Broader List of Matters Covered by Municipal Entities	<p>Effective law has been adapted to new powers of the subjects of the Russian Federation, which were expanded in matters of joint responsibility involving the Russian Federation and its subjects. Also expanded has been the list of local issues to be handled by municipal entities.</p> <p>Privilege granting and expenditure financing at the regional level is put under federal control. The Russian Federation transfers powers on social, nature conservation and similar matters to the subjects, with appropriate funds regarded as subventions transferred to the subjects. According to the established procedure, the subvention is transferred only upon the completion of the task.</p> <p>The following measures have been adopted:</p> <p>1) The federal government delegates to the regional governments the responsibilities for social assistance to the war veterans and some other privilege holders in housing and utilities expenses. Appropriate funds shall be envisaged in the form of subventions from the Federal Compensation Fund (which is part of the federal budget).</p> <p>2) the subjects of the Russian Federation are now responsible for the following matters:</p> <ul style="list-style-type: none"> - conservation and use of the fauna objects referred to as hunting objects, - regulation and conservation of aquatic biological resources,

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
			<p>- use, protection and conservation of forest resources, - forest fire service, pest and disease control.</p> <p>Actions and measures to be undertaken under the international agreements of the Russian Federation lie within the responsibilities of the subjects of the Russian Federation.</p> <p>The subjects shall quarterly report to the federal body in charge of a single fiscal and monetary policy on the usage of the received subventions. In its turn, the federal body in charge of control and monitoring of appropriate matters shall report on measures taken.</p>
Tax reform	<i>Federal Law N 212-FZ of December 30, 2004</i>	On Amendments to Articles 212 and 217 of Part Two of the Russian Federation Tax Code and on Nullification of Article 3 of Federal Law <i>On Amendments to Part Two of the Russian Federation tax Code, Article 19 of the Russian Federation Law “On Basics of the Russian Federation Tax System” and on Nullification of Certain legislative Acts of the Russian Federation</i>	<p>The Tax Code has been supplemented to account for incomes from new financial instruments (payment cards) and for new, precedent-based aspects of relations between shareholders or co-investors. In particular, excluded from taxation have been incomes received:</p> <ol style="list-style-type: none"> 1) via credit card operations during the interest-free period established by the credit card contract; 2) by shareholders (investors, partners) via revaluation of key assets in the form of additional shares distributed between shareholders (investors, partners) in proportion to their shares and share types, or in the form of difference between new and initial nominal value of shares, or in the form of their property share in the enterprise's own capital; 3) by shareholders of those joint-stock companies during reorganization that envisages distribution of the new company shares between shareholders, or conversion (exchange) of the shares, or augmented organization in the form of shares received additionally or in exchange.

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
Tax reform	<i>Federal Law N 205-FZ of December 29, 2004</i>	On Amendments to Article 346(13) of Part Two of the Russian Federation Tax Code	not in effect
Tax reform	<i>Federal Law N 204-FZ of December 29, 2004</i>	On Amendments to Part Two of the Russian Federation Tax Code	not in effect
public spending efficiency	<i>Federal Law N 202-FZ of December 29, 2004</i>	On Budget of the Social Insurance Fund of the Russian Federation for Year 2005	The Law increases the maximum amount of the sickness benefit, with the two initial days of the sick leave to be paid by the employer and the Fund starting payments from day three.

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
<p>public spending efficiency</p> <p>Inter-budgetary relations and local government</p>	<p><i>Federal Law N 173-FZ of December 23, 2004</i></p>	<p>On Federal Budget for Year 2005</p>	<p>1) The Government has been granted the right for early repayment of state debt liabilities.</p> <p>2) The Law permits using Stabilization Fund moneys in excess of 500 bn rubles to cover the deficit of the Pension Fund.</p> <p>3) In order to ensure the correspondence of accounting and income distribution to the official requirements, federal taxes and duties as well as other payments shall be fully transferred to regional accounts of the Federal Treasury. The Treasury shall distribute these funds between the federal budget, the regional budgets, and municipal budgets (budgets of closed administrative territorial entities), as well as budgets of public off-budget funds in cases set forth by the Law.</p> <p>3) Regional and local taxes and duties and other revenues being collected by the regional and local budgets, except for budgets that receive in 2005 no the equating Federal Financial Support Fund subsidies (i.e. the subsidies provided to equalize public spending for basic needs in low-income regions) shall be transferred to the regional accounts of the Federal Treasury. They will subsequently be transferred to the regional budgets.</p> <p>4) The Law defines the maximum period for the above transfer operations. Not later than the next day upon receipt of the confirming statement of account, the regional departments of the Federal Treasury shall execute the transfer of funds.</p> <p>5) In case of violating the time limits for return of returnable federal budget funds or their inappropriate use, the amounts shall be transferred to the federal budget. The sums shall be:</p> <ul style="list-style-type: none"> • indisputably written off accounts of the appropriate budgets; • withheld within federal taxes and duties intended for subjects' and local budgets; • levied out of funds intended for transfer to subjects' and local budgets within <i>Inter-Budgetary Transfers</i>.

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
<p>public spending efficiency</p> <p>Inter-budgetary relations and local government</p>	<p><i>Federal Law N 174-FZ of December 23, 2004</i></p>	<p>On Amendments to Federal Law <i>On Classification of the Budget of the Russian Federation and Budget Code of the Russian Federation</i></p>	<p>1) The Budget Code has been supplemented with a provision allowing the regional and local governments to execute further specification towards classification of the sources for internal financing of Russian Federation budgets using program (subprogram) codes.</p> <p>2) The list of persons responsible for the regional budget management must be approved by a law of the region (decisions of the municipal authority) for an appropriate year.</p>
<p>Administrative reform and the reform of public service</p>	<p>President <i>Decree N 1634 of December 29, 2004</i></p>	<p>On Improvements in Pay System for Persons Occupying Federal Government Positions in Executive Offices of Chambers of the Federal Assembly of the Russian Federation</p>	<p>The Decree adjusts the pay system to labor market benchmark, establishing fixed compensations as a percentage to the nominal wage.</p>
<p>Nature management</p>	<p><i>Federal Law N 172-FZ of December 21, 2004</i></p>	<p>On Inter-Category Transfer of Lands or Land Plots</p>	<p>The Law defines a procedure for changing a cadastre category of land plots. It specifies required documents, a normative list of possible reasons for rejecting transfer applications, as well as a normative list of cases for decisions to be made exclusively by the Government of the Russian Federation.</p> <p>Certain articles regulate specific aspects of transferring agricultural lands, lands occupied by settlements, forest and water lands, etc.</p> <p>The Law shall make a guideline for organizations engaged in construction and other activities, which use lands for appropriate purposes.</p> <p>Appropriate amendments have been introduced into the Russian Federation Land Code, the Russian Federation Forestry Code and the Law on Ecological Expertise.</p>

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
Administrative reform and the reform of public service	President <i>Decree N 110 of February 1, 2005</i>	On Certification of Government Civil Servicemen in the Russian Federation	Certification shall be carried out to provide assessment of government employees with regard the formal requirements. Certification is intended to help attracting highly professional, motivated employees, to increase the professional level of the current employees.
Administrative reform and the reform of public service	President <i>Decree N 111 of February 1, 2005</i>	On Procedure of Competence Test for Civilian Employees in the Russian Federation and Appraisal of their Knowledge and Skills (Professional Level)	As expected, a more adequate procedure for assessing professional skills of government employees has been introduced, with a competence test being part of the overall process. The testing shall be offered to civilian employees occupying positions without term limits: a) positions in categories <i>Specialists</i> and <i>Support Specialists</i> ; b) positions in category <i>Heads</i> that are the top and key categories Testing shall be performed for assigning the civil ranks.
Administrative reform and the reform of public service	President <i>Decree N 112 of February 1, 2005</i>	On Contest for Occupation of Vacancies in the Russian Federation Civilian Government Service	A new procedure for assessing professional skills of government employees has been introduced, with a contest being part of the overall process. The contest is to be carried out in all cases except for appointment of top figures, councilors and the cases of contract termination. The decision shall be delegated to the department offering the vacancy.
Administrative reform and the reform of public service	President <i>Decree N 113 of February 1, 2005</i>	On Procedure for Assignment of Civilian Government Service Ranks to Civilian Government Employees in the Russian Federation	A new system for ranks and classes in the government service has been introduced.

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
Administrative reform and the reform of public service	President <i>Decree N 159 of February 16, 2005</i>	On Tentative Form of Official Contract in Civilian Government Service of the Russian Federation and Occupation of Posts in Civilian Government Service of the Russian Federation	A single contract form, requiring renewal of previous labor agreements within three months has been introduced.
natural resources management	State Duma <i>Regulation N 1526-IV GD of February 18, 2005</i>	On Federal Law <i>On Government Monitoring in the Field of Ecology Education</i>	Draft federal law has been withdrawn from consideration as minor and irrelevant. The draft was intended to regulate the relationships between the government, local authorities, organizations, public associations and citizens emerging within the system of continuous ecology education. The Duma found it sensible to define legal relationships in the ecology only within a specific legal case.
public spending efficiency	Government <i>Regulation N 106 of March 2, 2005</i>	On Termination of Federal Fund for Small Business Support	The Fund was dissolved due to nullification of Article 8 of Federal Law <i>On State Support of Small Business in the Russian Federation</i> , eliminating one of least effective and most corrupt government spending channels.

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
<p>public spending efficiency</p> <p>Inter-budgetary relations and local government</p> <p>Reduction of red tape and technical regulation reform</p>	<p>Government</p> <p><i>Regulation N 239 of April 19, 2005</i></p>	<p>On Approval of Rules for Development, Approval and Implementation of Agency-Wide Purpose-Oriented Programs</p>	<p>1) The Regulation establishes a procedure for development, approval and implementation of state programs for budget planning and improving the efficiency of federal budget spending.</p> <p>2) The state programs shall be based on a system of aims, tasks and targets of budget planning subjects and shall be reported along with the budget reports.</p>
<p>de-bureaucratization and technical regulation reform</p>	<p>Agreement between the Russian Federation Ministry of Economic Development and Trade and the Russian Federation Ministry of Culture and Mass Communications of April 20, 2005</p>	<p>On Cooperation and Interaction in Implementation of Programmed Steps within Federal Program <i>Electronic Russia (2001 – 2010)</i></p>	<p>In 2005 the two ministries shall implement a pilot project in relation to a portion of the Russian State Library assets. The project is intended to provide a list of documents for mandatory storage in electronic form only, to develop rules and drafts for regulation of the electronic storage of information.</p>

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
Government spending efficiency	Government <i>Session of April 21, 2005</i>		<p>Decision was taken to approve in general draft Federal Law <i>On Amendments to Part One of the Russian Federation Tax Code Due to Measures on Improving Administration of Taxes</i>. The draft shall be adjusted with special attention on:</p> <ul style="list-style-type: none"> - procedure for decision making with regard recurrent tax inspections; - definition of the status for physical entity – resident of the Russian Federation. <p>The session decided to elaborate on the draft Federal Law <i>On Amendments to Chapters 22 and 26 of Part Two of the Russian Federation Tax Code</i>, with focus on excising procedure for ethyl alcohol, alcoholic drinks and tobaccos.</p>
de-bureaucratization and technical regulation reform	Government <i>Regulation N 247 of April 22, 2005</i>	On Amendment to Subparagraph 5.1 of the Rules for Federal Service for Intellectual Property, Patents and Trademarks	Software products have been added to the monitoring range of the Federal Service for Intellectual Property, Patents and Trademarks.

Reform Target Area	Act Adopting Body and Type of Act	Act Title	Novelty Introduced by Act
public spending efficiency	Government <i>Regulation N 27 of April 27, 2005</i>	On Approval of Rules for Compilation of Combined Report on Results and Key Areas of the Russian Federation Government Activities for Years 2006 – 2008	<p>The Regulation establishes the Combined Report on Results and Key Areas of the Russian Federation Government Activities for Years 2006 – 2008 in order to enhance combined medium-term planning of the executive bodies' activities.</p> <p>The Combined Report shall contain analysis of results, tasks and figures in relation to the Government activities and budget planning subjects; measures intended to ensure their implementation; list of planned reforms, schemes for development of infrastructure and certain economy sectors; assessment of required material and other resources, as well as factors hampering implementation of the tasks and aims.</p> <p>The Combined Report shall contain the following sections:</p> <ul style="list-style-type: none"> a) results of activities of the Russian Federation Government and budget planning subjects in attaining aims for reporting period; b) aims of the Russian Federation Government and budget planning subjects in the current year and planned period; c) measures to attain aims of the Russian Federation Government and budget planning subjects; d) regional aspects of the Russian Federation Government activities; e) key parameters for scenarios of social and economic development of the Russian Federation within the planned period.
Privatization and public asset management	Government <i>Regulation N 513-r of April 29, 2005</i>	On Amendments to Perspective Plan (Program) for Privatization of Government Assets in 2005	The Regulation approves the list of assets to be privatized and the privatization procedure, considerably expanding the number of companies in all sectors including banks with federally-owned shares.