

creation of the necessary legal conditions for the stable development of society and the state. The legislative branch is demonstrating an inability to adopt quality laws demanded by the country's President, which makes it impossible to speak of their «fairness».

The system of monitoring the state of legislative and legal enforcement has, for the most part, been created. Now on the day's agenda — creation of an effective mechanism for responding to the results of the conducted monitoring work. The system of legislative regulation must be able not only to identify the pressing shortcoming in a timely manner, but also to swiftly eliminate them.

### **1.2. Social development of Russia**

According to the latest addresses by the President of the Russian Federation to the Federal Assembly of the Russian Federation, the main goal of the country's socioeconomic development is to improve the level and quality of life of the population.

The Address of the President of the Russian Federation to the Federal Assembly of the Russian Federation for 2006 set the goal of directing additional investments into the social sphere to guarantee the growth of people's well being, stimulate the birthrate and support families, lower the death rate and extend life expectancy. For the first time, a program was proposed focusing on long-term material support for women who have children, on the development of preschools and obstetrician agencies that assist families during childbirth and early parenting.

The Address to the Federal Assembly for 2006 also confirmed the priority of work focused on guaranteeing a dignified life for the elderly generation; a proposal was made to raise pensions in 2007 by a total of 20 percent.

A priority direction of social legislation development in 2006 became the drafting of a set of normative legal documents on the implementation of specific measures of the demographics policy, aimed at raising the birthrate, reducing the death rate of the population and optimizing the migration processes.

The main vectors of the social-cultural sphere of development in 2006, as well as its legislative groundwork, are aimed at implementing the «Public Health», «Education», and «Affordable Housing» projects, which intend to improve the quality and affordability of services in these industries for all social demographic groups of the population.

A planned monitoring and improvement of labor legislation were also pursued in 2006. Over the course of 2006, federal laws were adopted touching on almost all aspects of provision for the constitutional right to work.

The most important in the field of labor relation for 2006 was Federal Law No. 90 of June 30, 2006, which implemented significant content and legal-technical changes to the Labor Code of the Russian Federation.

The Labor Code of the Russian Federation was adopted in 2001 as a compromise document, and it was already apparent at the time that not all of its provisions would work with equal efficiency. The monitoring of the practice of its implementation showed that on the whole, it guaranteed the implementation of the constitutional right to work, but was still not free of problems and shortcomings. For this reason it was necessary to adopt the above-mentioned federal law, which made amendments to almost 300 articles of the Labor Code of the Russian Federation, while also adding 13 new ones. The regulations of the Labor Code of the Russian Federation are being brought in line with the conventions and recommendations of the International Labor Organization (ILO).

Among its legal novations — precision of the fundamental positions of labor relations, which establish a new social order in society and status roles for subjects of labor relations. Thus, the list of relations regulated by labor legislation was appended by relations on mandatory social security, the concept of forced labor was expanded, labor legislation was made more precise, a universal procedure was established for taking into account the opinions of workers of the legislative body in case of adoption by their employer of local normative acts that contained elements of regulatory law.

The terminology and procedure for applying provisions of local normative acts were unified, as were the conditions of collective bargaining agreements, arrangements and labor agreements. It was underlined that not subject to application are only those provisions of local normative acts, bargaining agreements, arrangements and labor agreements that aggravate the position of workers — in other words, that limit their rights or reduce the level of worker guarantees compared to labor legislation and other normative legal acts. A local regulatory enactment is not applicable in general if it is adopted in violation of adopted procedures.

The concept of «employment function» was clarified to mean work by virtue of position in accordance with an established schedule, profession or specialization, indicated by a qualification or determined by the specific type of assigned work.

Classifications are being made for cases of labor agreements between workers and employers — private individuals, and the qualification characteristics of this category of employers are being set; an age limit is being established after which a private individual may no longer act as an employer; it is stated that the legal entity of private entrepreneur receives the right to enter into a labor agreement as an employer from the moment of his registration by the state, in case no other regulation is envisioned by federal law.

The status of state oversight and control bodies that observe labor legislation and normative legal acts that contain labor law regulations has been determined more precisely. In accordance with the principle of continued administrative reforms, clarifications are made to the names and powers of state bodies that perform regulatory functions, oversight and control, and provide state labor services. It is stated that social partnership is the most important mechanism for defending the labor rights of waged workers. Also clarified is the status of bodies of state power and bodies of local self-government as parties in a social partnership. They especially are viewed as employers in case a corresponding organization of budget-sector employers does not exist. The role is elevated for mechanisms of social partnership in the adoption of normative legal acts that contain labor law regulations.

The mechanism for authorizing worker representatives with the right to defend workers' interests, both in individual and collective labor relations, is defined more precisely and consistently. The procedure for determining a worker representative, authorized to lead collective bargaining with an employer, and to negotiate and conclude a collective bargaining agreement, is brought in line with the general provisions existing for worker representatives.

For the first time, legislative regulation was brought to such a type of work reassignment as temporary reassignment by agreement of both parties. In order to preserve the stability of labor relations in cases when a worker requires a short-term (up to four months) transfer to another job for medical reasons, it is permitted that in case the employer lacks a suitable alternate job opening, the employee may be laid off without preserving his salary.

In order to guarantee worker rights to a dignified future pension, the Code established the obligation for employers to release upon employee request copies of documents containing information on accrued and actually made payments on mandatory pension security.

Of significant importance to both legislation and the legal enforcement practice is the introduction to the Code of new grounds for termination of a labor agreement — the absence of corresponding work in the organization, if the worker requires a transfer to a different assignment for medical reasons. At the same time, the question of severance pay is resolved in favor of the employee. The Code is also appended with the rule clarifying the question of replacing a part of the vacation time with monetary compensation.

A section of the Code dedicated to remuneration for labor is appended so as to bring the legislation of the Russian Federation in line with the ratified conventions of the International Labor Organization (ILO).

The Code assigns the responsibility for the Russia tripartite commission on regulating social-labor relations to annually — prior to submittal to the State Duma of the draft federal law on the federal budget for the new year — develop joint recommendations on establishing systems of

labor remuneration for federal, regional and local level workers at organizations financed by the corresponding budgets.

The procedure for labor remuneration for workers of state and municipal organizations, on the one hand, comes from the independent authority of these budget agencies, but on the other hand, provides that the Government of the Russian Federation sets the basic levels of payments for these corresponding groups of workers.

Article 37 of the Constitution of the Russian Federation guarantees each worker with compensation for labor no lower than the minimum payment established by federal law. Article 133 of the Code states directly that the minimum remuneration for labor may not be lower than the minimum subsistence level of the working population.

The subsistence level for the Russian Federation as a whole is used for assessing the living standards of the population of the Russian Federation during the development and implementation of social policy and federal social programs, the federal establishment of minimum payments for wages, stipends, benefits and other social payments, as well as for federal budget formation.

In accordance with the Federal Law «On the Subsistence Level in the Russian Federation», the consumer goods basket, which is determined no less frequently than once every five years, is made up of the minimum assortment of food, non-food goods and services, essential for preserving a person's health and guaranteeing his well being. The price of the consumer goods basket, as well as mandatory fees and payments, determine the subsistence level.

The federal draft budget for 2007 plans a 15-percent increase to the fund for labor remunerations to state budget organization employees, which is financed through the unified wage tariff system (herewith, UTS). An increase of the minimum monthly wage to 1,400 rubles is planned for September 1, 2007. As a result, between 2005 and 2007, the wages of state sector workers paid by UTS will grow by 1.5 times in real terms. According to the Long-Term Financial Plan of the Russian Federation for 2007-2009, implementation of measures aimed at raising the living standards of state sector workers will continue over this 2007-2009 period.

In accordance with the requirements of the Constitution of the Russian Federation, the Code is being appended with new measures aimed at defending the labor rights and freedoms of workers. A constitutional norm is being created stating that each person has the right to protect his rights and freedoms by all means not prohibited by law. This system of labor rights protection is being supplemented by judicial protection. Priorities of this system's elements have also been reorganized. The Code introduces changes that allow for oversight and control over how labor legislation is being implemented, not only by organizations but also by employers — sole proprietors.

However, this does not conclude how federal legislation is being altered in the area of labor relations. The Federal Law «On Provision of Temporary Disablement Allowances and Maternity Pay to Citizens Subject to Mandatory Social Security», now provides state guarantees to women who, in connection with pregnancy and childbirth, are unable to attend their jobs.

And finally, at the end of 2006 and as a result of a quick response to the difficult situation that unfolded in the area of organized retail trade activity on the markets, came the comprehensive Federal Law «On Retail Markets and on Making Changes to the Labor Code of the Russian Federation».

Special federal laws in 2006 expanded the opportunities of mutual cooperation in the sphere of guaranteed labor rights to migrants in the Russian Federation, the Republic of Tajikistan and the Kyrgyz Republic. Legal frameworks were also created for liberalizing the labor migration conditions in the Russian Federation. To develop the liberalization policy and simultaneously to raise the responsibility of Russian entrepreneurs, a federal law was adopted raising the level of responsibility for violations to the procedure on hiring foreign citizens and persons without citizenship for employment.

The Address of the President of the Russian Federation to the Federal Assembly of the Russian Federation for 2006 established specific measures in support of families, motherhood

and childhood as one of the priority state policy tasks, which are part of the state demographic policy. For the first time, programs were proposed on stimulating the birthrate, which included material support for women who bear children; development of infrastructure that helps support families during the birth and parenting of children (preschools and obstetrician agencies); as well as stimulating the adoption of orphaned children and children who were left without parental support.

As a result, a whole complex of federal laws was developed and adopted in 2006 stipulating higher monthly benefits for childcare, additional measures of state support in the form of possible release of maternal (family) payments of 250,000 rubles for housing needs, obtainment of education, and the creation of a funded part of a labor pension. Expenditures were allocated for implementing these federal laws, including budget subsidies for the constituent entities of the Russian Federation.

A December 21, 2006 session of the Council of Legislators assessed the results of the work in the area of demographic policy. The President of the Russian Federation summed up the intermediary results of this work and determined the most important directions of future work. In the part on support for families, work by government authorities at all levels will continue on creating the necessary conditions for raising the birthrate for the purpose of a stable replacement of the population, for providing all-encompassing support for the family, and for strengthening its authority in Russian society.

The system of benefits and reduced payments, which was introduced on January 1 2007, is viewed as the first practical step made in this direction. Economic conditions will be created in the country in which working parents will earn dignified working wages. At the same time, in practice, a series of problems remain in connection with the application of previously adopted law in this area.

It is proposed to examine the question of restoring such an important legal child welfare guarantee as the establishment on a federal level, and observance of, state minimum social standards for the quality of children's lives, and also the establishment of unified nutrition and material support guidelines for orphaned children and children left without parental support, who live in orphanages that are under the jurisdiction of any and all organizations.

The steady improvement in guarantees of social security and service, as well as pension coverage were always one of the priorities of state policy. The addresses of the President of the Russian Federation to the Federal Assembly for 2002-2006 set the tasks of guaranteeing the growth of the level of pension coverage of Russian citizens, so that the level of social security and service could approach European levels and world standards, accepted in developed countries.

On social security issues in 2006, besides the already reviewed federal laws aimed at improving support for families, motherhood and childhood, a series of federal laws was also adopted for expanding the range of social guarantees to Heroes of Socialist Labor and to full cavaliers of the order of Labor Glory, as well as social protection for coal industry workers, and others.

The budget of the Social Security Fund of the Russian Federation for 2007 envisions spending on social guarantees for citizens of the Russian Federation, made in 2007, for 287,493,479,500 rubles, with 199,603,929,600 rubles spent on mandatory social security payments. In addition, the fund's budget envisions spending on additional payments for ambulance and medical clinic assistance provided for working citizens, payment of medical support for women on maternity leave, payment of benefits during temporary vocational disability, insurance payments for mandatory social insurance for work-related accidents and professional ailments, and others. In 2007, the highest possible payment for temporary vocational disability (excluding payments for temporary vocational disability due to work-related accident or professional ailment), and the maximum benefit payments for women on maternity leave, for a full calendar month stood at 16,125 rubles. The maximum monthly insurance payment for mandatory social security from work-related accidents is set at 36,000 rubles.

A series of federal laws were also adopted in 2006 concerning social security. Additional guarantees were envisioned for maintaining the equality of the constitutional rights of men and women to early payments of labor pensions for age. Disabled people who were awarded the «Resident of Leningrad During the Blockage» badge were granted the right, in addition to a labor pension for age, to receive additional pensions for disability.

The 2007 budget of the Pension Fund of the Russian Federation established the record pension obligation figure for 2007 of 1,727,799,900 rubles. In addition to spending on pension provisions, a part of the financing was directed for providing direct social assistance to non-working pensioners, for their housing gas payments, as well as for material support issued on Victory Day and other such holidays. In the course of a review held in the Council of Federation, members of the Council of Federation noted that the task set in the Address of the President of the Russian Federation to the Federal Assembly for 2006 — to raise the average pension payment in 2007 by 20 percent — had not been met. The budget deficit of the Pension Fund of the Russian Federation, and its dependence on federal budget subsidies, is growing.

The work of monitoring pension legislation is being undertaken by the Council of Federation in close cooperation other bodies of the constitutional partnership and the Accounts Chamber of the Russian Federation. At the same time, in the area of improving the system of social guarantees, a special place is set aside for the question of social guarantees for servicemen. The President of the Russian Federation invariably turns to these issues in his addresses to the Federal Assembly, specifying measures that must be taken to improve the level of social support provided to servicemen.

An analysis shows that under modern conditions, when the size of monetary allowance for servicemen is raised by way of raising individual additional payments, bonuses and compensations, none of which are accounted for in pension calculations, a legislatively established procedure for direct pension indexation of pensions for military pensioners may dramatically improve the system of pension enumeration.

Labor pensions of Russian citizens are indexed once every three months, once every half a year, or once a year, depending on the rate of price increases. Military pensions, meanwhile, are raised together with raises (indexation) in the monetary compensation for servicemen. The future work of the Federation Assembly will focus a review of the pension indexation procedure so that it could adequately respond to the inflationary processes in the economy.

In the near-term, it is essential to adopt legislation eliminating the existing disparities in the part on:

- presenting the right to a second pension in case of the loss of a provider by military pensioners — parents of a serviceman who went through military service by contract and was killed (died) as a result of military injury, regardless of whether they receive another pension;

- presenting military pensioners, who after retirement continue on in some labor capacity and make insurance payments on mandatory pension insurance, with the right to receive the insurance and the funded part of the labor pension for age, together with the pension for years of service (for disability);

- raising the pension for years of service to participants of the Great Patriotic War, the war disabled and other pensioners, in the amount of a second pension for disability.

The goals of a modern state housing policy were formulated in the Address for 2004, and retained their relevance in 2005 and 2006. In addition, making the provision of Russian citizens with affordable and comfortable housing into a priority national project has added extra meaning to this direction of national policy.

As of the start of 2006, the total size of available housing in Russia stood at 2.949 billion square meters, while the average housing provision — at 20.8 square meters per person. At the same time, the condition of available housing does not meet the population's requirements, with 30 percent of citizens describing it as «poor» or «very poor». Although 20.8 square meters per person is a fairly high figure, the division of available housing by region is not even. The regional differentiation of

available housing is high — from less than 15 square meters per person in the Chita oblast, to nearly 26 square meters per person in the Republic of North Osetia — Alania. As a consequence, individual regions are suffering through a housing shortage, while in rural area, houses stand empty.

The housing market is also non-uniform when it comes to regional reserves. Thus, the Moscow region market shows the greatest disparity between demand for apartments and their supply. The general guidelines for state authorities in terms of housing policy are — provision by 2007 of significant growth in the amount of housing construction, the completion of the creation of a regulatory framework necessary for the issue of mortgage securities, and a significant expansion of federal budget spending on support for young families.

The Council of Federation has been engaged in monitoring of legal enforcement in the housing sphere throughout 2006. The results show that certain provisions of adopted laws and the Housing Code only make a number of the existing social problems even more severe. To a certain extent, this is associated with disagreements between separate legislative acts and new housing laws, as well as with existing gaps in the new housing legislation.

A Council on Housing Construction Issues was formed under the jurisdiction of the Chairman of the Council of Federation. Its operation allows to efficiently monitor the federal normative legal acts in the housing sphere, and to prepare proposals on their improvement. Material prepared by this Council is addressed to the State Duma, the Government of the Russian Federation, the Administration of the President of the Russian Federation, federal bodies of the executive power, and government bodies in the constituent entities of the Russian Federation, as well as of local self-government.

The monitoring of housing legislation has permitted the detection of a number of complications and potential problems. The new Housing Code determines as state policy the principle of minimizing state participation in resolving the housing problems of the citizens of the Russian Federation. Following such an approach, the state's financial resources will be mostly allocated to the disadvantaged segments of the population.

From the practical point of view, the Housing Code is now more realistic (the possibility of a solution to general problems being blocked by a minority has been eliminated), but at the same time, such a practice gives rise to the threat of minority rights being suppressed. Thus, the issue of improving the efficiency of the process of collective decision-making gains relevancy.

In addition, collisions have appeared on property rights issues in communal apartments. The Housing Code has no qualification of the term «communal apartment» (apartment of communal residence, apartment of joint residence). For the large part because of this blank spot, complications arise in determining the procedure for use and disposal of rooms in common properties in these apartments.

Another problem is caused by the fact that the Housing Code allows for the presence of «relatives» in the apartment, but does not do so in formal-legal terms. At the same time, it does not specify what types of individuals may be included in the understanding of «family members», which in turn does permit the establishment a procedure for recognizing and determining their mutual rights and obligations. Still remaining unresolved is the question of rights of former family members to living accommodations.

The problem associated with incomplete legislative regulations also leads to complications in practice. Thus, the Housing Code did not clearly specify the main types of registration of property rights to living accommodations. It does not explain the meaning of the term «poor», which has legal relevance because it is associated with the right to receive «preferential» social housing. Within the frameworks of delineation of objects of oversight in housing policy, it is presumed that this term will be clarified at the level of legislations of the constituent entities of the Russia Federation. However, significant differences remain on this matter between the regions, which prevents adherence to the principle of equality between citizens, regardless of their place of residence.

Issues on citizens' social security are traditionally the most sensitive. The Housing Code made rules covering payments for housing and municipal services more stringent. Tenants who for longer than six months and without justifiable cause fail to make payments for living accommodation and municipal services, may be evicted by judicial proceedings, with provision of new living accommodations under a social loan contract, in the amount established for residence in a boarding house. In 2006, the first court eviction orders based on non-payments were issued. Without doubt, these issues must be followed very attentively, and in a balanced manner.

The list of significant federal laws in this area includes the Federal Law «On Concession Agreements» that created a legal groundwork for concession agreements, which are widely applied in world practice, as well as those adopted to secure the attraction of domestic and foreign investments in the Russian economy, particularly in its housing and utilities infrastructure.

Within the frameworks of the «Provision of Housing for Young Families, and Young Specialists in the Country» program, 88,000 young families will receive housing subsidies in the course of 2006-2007. This represents 35.2 percent of those who are in need of improvements to their housing conditions. Between 2006-2010, some 350,000 will be able to better their housing conditions.

In accordance with this program, families and specialists will receive state support in the form of budget subsidies for down payments on received mortgages in the amount of 40 percent of the average price of standard housing. Ten percent of this sum will be contributed from the federal budget under condition of co-financing of the remaining 30 percent by regional and local budgets.

The 2006 budget allocated 2.1 billion rubles for state support for young families. The 2007 budget provides 5.3 billion rubles, including 4.3 billion rubles — for subsidies to young families, and one billion rubles — for the insurance of mortgages issued to young families.

Amendments were made to the Housing Code of the Russian Federation on the more sensitive issues that were identified in the course of the enforcement of housing legislation in 2006. These clarify the grounds for recognizing citizens as being in need of housing, the proprietary rights of owners of housing in multiple apartment housing, and other issues. It is essential to note that a number of legal provisions aimed at creating a market of affordable housing, and adopted since the start of 2004, only entered into force in 2006 or later. These include the Federal Law «On Regulating Tariffs of Utility Service Organizations».

At the same time, March 1, 2010 will see the expiration of the Federal Law «On the Privatization of the Housing Fund of the Russian Federation». Thus, the situation in the housing sphere will be changing, which underscored the need to continue monitoring the legal enforcement practice and the general situation in the housing and utilities field in 2007. The pace of housing construction does not meet the existing demand. Housing prices are climbing as a result, although over the past three years, a steady growth in the amount of new housing construction is notable.

The goal of the «Affordable and Comfortable Housing for Russian Citizens» priority national project is to create a market of affordable housing and to provide for comfortable living conditions for Russian citizens. To achieve this, measures are being implemented aimed at increasing the amount and lowering the cost of construction, improving the affordability of housing, the purchasing power of the population and the quality of housing and utility services.

The legal framework for this project was formed out of previously adopted normative legal acts, including the new Housing and City-Building Codes, as well as the so-called «housing package». A catalogue of normative legal acts was prepared during their development, which must be fine-tuned and adopted at the federal, regional and local levels. The main instrument of their implementation is the purpose-oriented «Housing» program (herewith — Program), which was approved by the Government of the Russian Federation.

The main goal of the Program is to develop a comprehensive solution to the problem of moving toward a stable, functioning and developed housing sphere, which provides citizens

with affordable housing, as well safe and comfortable living conditions. Each program direction envisions specific measures that should become the focal points of the main financial and organizational efforts. These measures are primarily implemented within the frameworks of corresponding programs, which are part of the Program itself.

The Program's implementation promotes the creation of opportunities for the population to obtain housing at own expense, with a part of the apartment costs compensated by budgets of all levels of the budget system of the Russian Federation. Financing for construction of service and welfare housing itself is made through the federal budget, primarily by way of federal ministries, agencies, services for primarily official needs, through the budgets of the constituent entities of the Russian Federation, and local budgets.

Issues submitted for oversight at the local level include: provision of low-cost housing in accordance with the current housing legislation for citizens residing on the territory of the corresponding municipal district and in need of improved living accommodations; as well as issues concerning the organization of construction and maintenance of the existing housing, and the creation of conditions conducive to residential housing construction. However, the total share of state and municipal resources earmarked for housing construction is negligible.

Provision of government support for the system of mortgage refinancing is conducted in accordance with the Conception on the Development of a Unified Mortgage Refinancing System in Russia.

Implementation of the «Affordable and Comfortable Housing for Russian Citizens» project is achieving the improvement and development of the regulatory framework on account of the monitoring of this project's implementation in the constituent entities of the Russian Federation. It is important to inform the population about the project and its participation conditions, for as experience shows, citizens are often poorly informed about the conditions and opportunities available to them for receiving housing subsidies. For this reason, information about this program will be spread through the print and electronic media, as well as through exhibitions, conferences and seminars.

A number of laws important to the implementation of the housing project were adopted in 2006, with the Council of Federation actively cooperating in the process with other government bodies, market participants, and public associations; it attracted independent experts for the drafting of a version of the corresponding law, which takes the utmost account of all parties' interests and protects the rights of citizens to housing.

As a result of consolidated work, a federal law was adopted on July 18, 2006 specifying how citizens' resources may be used for housing construction, indicating four means of registering relations in such cases: a partnership agreement, a housing-construction cooperative, an accumulative housing cooperative, and bonds — housing certificates. A ban was imposed on transfers of rights by way of assignment of the right of demand on an agreement concluded by legal entities or individual entrepreneurs. The procedure for informing a participant of a partnership agreement about the completion of construction (creation) of a multiple apartment house and (or) other real estate property were made more precise. Limits were imposed on circumstances under which a participant of a construction agreement may unilaterally repudiate an agreement. The developer was awarded the right to terminate an agreement unilaterally (without the courts) in case of a partner's significant payment arrears on the agreement, as well as the right not to publish information in the media or distribute the project declaration over the Internet, if the partners' financial resources are raised without advertising. The joint responsibility of the bank and the developer was revoked. Limits were set on the amount to be raised for construction from banks and partners. Specifications were made to the developer's disclosure content about the amounts and types of duties he sets out to perform. The term of state registration of participation in partnership agreements was limited. A new controlling agent was introduced in the sphere of housing construction — the executive body of the constituent entity of the Russian Federation.

Changes concerning the transfer of controlling functions to the constituent entities of the Russian Federation entered into force on January 1, 2007.

Short-term priorities of legislative activity in the housing and utilities sector include the solution of the following tasks: amending the Housing Code based on the monitoring results of housing legislation enforcement; developing legislation aimed at developing mortgages, financing of improvements to the housing and utilities sector of the Russian Federation; development of measures aimed at the timely and complete provision of housing for citizens and modernization of housing and utilities facilities in the constituent entities of the Russian Federation; improvement to pricing in the natural monopoly sector and social support for citizens' housing and utility service payments.

An important milestone in the development of the Russian housing market as a whole and in the implementation of the «Affordable and Comfortable Housing for Russian Citizens» project in particular were the amendments made in 2006 to the Federal Law «On Mortgage-Backed Securities». Adopted with these goals in mind on July 27, 2006, the federal law intends to improve the procedure of how mortgage securities are issued, and to specify the procedure for determining the size of mortgage backing and the requirements for mortgage backing. It envisions the option of mortgages containing a requirement for the principle of the credit or loan agreements to be repaid separately from the interest on the same agreements.

Mandatory life and health insurance for the borrower — sole proprietor is revoked. The issuer of mortgage-backed securities is entrusted with the right to change the claim which is secured by a pledge of real estate but which is uninsured, and to employ financial resources making up the mortgage backing to execute his obligations before the mortgage-backed securities owner.

Improvements to mortgage-backed securities legislation allow market participants to issue and obtain mortgage-backed securities with various levels of risk and return. They also create more favorable conditions for refinancing the mortgage credits (loans). The development of the mortgage-backed securities market, in turn, will improve the accessibility of mortgage credits (loans) to citizens.

However, as monitoring of the enforcement practice shows, the legislative field of the Russian Federation has a number of narrow patches, which if not blocking the implementation of the housing sector project outright, will significantly slow its efficient implementation. As is known, this priority project has three main directions: stimulating the supply of available housing, creating a solvent demand for housing, and social support for low-income citizens.

It should be noted that the part of the national project devoted to the development of the supply of available housing on the market is also the most difficult to implement. Particularly, the program «Providing Real Estate with Utility Service Infrastructure» has not identified the guarantees, which are forecast at 12.5 billion rubles, nor the means for subsidies to cover interest payments on the loans raised to improve utility services.

Mechanisms adopted within the frameworks of the «Affordable and Comfortable Housing for Russian Citizens» project, particularly those on financing housing construction, are not working. It should be noted that initially, to implement the program, a plan was proposed that was once developed by Gosstroï of Russia (State Committee of Russia for Construction and Architecture), calling for credit financing to be raised on foreign financial markets. However, working under domestic financial market conditions, these mechanisms did not work.

The issue of land remains problematic for the development of housing construction. The City-Building Code of the Russian Federation changes its approach to this issue in its new edition. From 2010, it will be impossible to submit land properties for housing construction without the presence of full documents on territorial planning, as envisioned by the City-Building Code.

At the same time, shortcomings in the employment of land properties for civilian use are already becoming evident, and a proposal is under discussion to let municipalities and the constituent entities of the Russian Federation to use their own land properties to back development credits. As is known, the current legislation does not permit the use of lands under state or

municipal ownership as security. This significantly constrains efforts by the constituent entities of the Russian Federation and municipal districts to raise capital for housing construction, since land mortgages represent the most liquid forms of securities.

Today, however, other mechanisms of using state or municipal properties to attract financing are being practiced. Such projects are being successfully implemented in Irkutsk, Kemerovo, Omsk and other cities. At the same time, when placed on the market, the price of a square meter of housing in an apartment with its own amenities and finishing does not exceed 16,000 rubles.

On the whole, these schemes testify to constructive cooperation between government and business. One of them involves the developer independently creating an engineering infrastructure for construction, with the subsequent purchase of the developed land from the municipality, and compensation for the incurred expenses after the completed property is sold. Another scheme involves credits being raised directly by the municipalities, which then hire contractors to develop the land and construct housing.

However, without doubt, making amendments to the Federal Law «On Mortgages (Real Estate Mortgage)» to allow municipal districts to mortgage real estate to investors for engineering infrastructure development and subsequent housing construction, would significantly improve the opportunities for building affordable housing.

Of course, such a solution would require additional amendments to legislation associated both with the law «On Mortgages (Real Estate Mortgage)» and other legislative acts, including the Land Code of the Russian Federation. These would specify that surveying of land properties (and surveying assumes splitting a land property into smaller plots) does not prevent the mortgaging of land properties that had been submitted prior to the survey. Today, if a land property is split — in other words, if the object backing the mortgage ceases to exist — then the mortgage does not cover the two or three objects that stand in its place instead. This represents a major problem that drives away investors from making financial commitments.

Growth in the amount of individual housing construction was in evidence in 2006. At the same time, the issue comes up of presenting citizens engaged in individual housing construction with mortgaged housing credits for their housing needs. Granting the opportunity for real estate mortgage lenders to offer real estate mortgages to individual housing developers is an important goal within the frameworks of the priority national project on «Affordable and Comfortable Housing for Russian Citizens».

The problem of housing financing should be examined comprehensively — from investments in the construction industry to mechanisms for developing and selling housing. For this, it is essential to: further simplify the mediation procedure that results in the registration of the construction agreement; improve legislation on participation in business construction, introducing a mechanism for insuring the responsibilities of developers so as to reduce the risk carried by sole proprietors who invest in construction; improve the regulatory framework for the mortgage-backed securities market; improving the credit mechanisms.

Simultaneously with the development of mortgage banking, it is essential to develop non-banking types of mortgages — in other words, using loans to purchase housing without paying its full initial cost: creating credits on housing securities, business participation in housing construction, purchase-sale through payment installment, consumer lending, housing-construction and accumulative housing cooperatives. All of these options are not mutually exclusive because each has its own niche, its own particular characteristics and advantages. This approach was fixed in the conception on developing residential mortgage lending.

The successful implementation of the priority national project on «Affordable and Comfortable Housing for Russian Citizens» by 2010 will ensure:

improved living conditions for the population;

improved affordability of available housing. At the same time, the average price of a standard 54-square-meter apartment will equal the average total income of a family of three over three years;

an increase in the amount of offered mortgage credits and loans to 415 billion rubles a year;  
an opportunity to obtain housing, including through personal financing, mortgage loans and credits, for 30 percent of the families;

a reduction in the average wait for social-use housing from 15-20 years to 5-7 years;

a growth in the amount of new housing made available annually to a total area of 80 million square meters;

improved living condition through federal budget means in 2006 for more than 132,300 family members, who belong to categories established by federal law;

direct assistance to the population in connection with housing and utility service payments;

an improved quality of utility services, safety and comfort in living conditions (reducing the level of wear of the main utilities from 60 to 50 percent);

an improved regulatory framework associated with the creation of an affordable housing market for the population;

the creation of conditions for an improved demographic status in the country, implementation of an efficient migration policy, a reduction in social pressures in society, as well as the stable and independent development of all municipal districts.

Only well-coordinated work between legislative and executive branches of power will be able to ensure the successful implementation of the priority national project on «Affordable and Comfortable Housing for Russian Citizens», and the quick improvement of the regulatory framework for meeting the corresponding needs of the citizens of the Russian Federation.

Another important social problem is healthcare and the provision of qualified medical assistance for the population. The solution to this problem has been assigned to the priority national project on «Health», which is being implemented both at the federal level and by the constituent entities of the Russian Federation, where the individual parameters of its implementation are being taken into account.

The project was included in the Program of Socioeconomic Development of the Russian Federation for the intermediate (2006-2008), which was confirmed by the Government of the Russian Federation.

The regulatory groundwork for the project's implementation was laid in the course of 2006. The required amendments were made to the Fundamental Principles of legislation of the Russian Federation on citizens' healthcare, and to the Federal Law «On Immunization Against Infectious Diseases». The Government of the Russian Federation adopted corresponding resolutions and the Ministry of Health and Social Development of the Russian Federation issued decree aimed at helping implement the Project.

Within the framework of the planned implementation of the Project, an analysis was made in 2006 of the staff potential in the primary-response medical and preventive treatment facilities in order to determine the need for additional professional doctor training. As a result, 14,394 doctors raised their medical training levels, including 6,818 primary care physicians, 5,586 primary care pediatricians, and 1,990 general practice doctors.

A planned wage increase has been guaranteed in order to raise the prestige of working in primary-response healthcare, and to ensure a stable inflow of young specialists to the ranks of general (family) practice doctors, primary care pediatricians, primary care therapists, nurses working with primary care doctors-therapists, and nurses working with general (family) practice doctors. A significant improvement in working conditions was ensured with a supply of modern equipment, including for diagnosis, to primary-response healthcare units. According to data updated at the level of the constituent entities of the Russian Federation, the number of primary-response medical workers in departmental healthcare organizations stood at 2,478 in 2006. In order to ensure financing for these expenses, a compensation fund was created within the budget of the Federal Fund of Mandatory Medical Insurance, standing at 12.8 billion rubles.

Pay raises were introduced to medical personnel in feldsher-midwife stations, to doctors, feldshers and emergency call nurses. An additional 4.659 billion rubles were earmarked in the 2006 federal budget for these expenses.

These additional monetary payments to medical personnel in feldsher-midwife stations and emergency call services started being issued in August 2006, and represented a monthly bonus to the wages of medical nurse of up to 5,000 rubles, and for feldshers and medical nurses of emergency call services — of up to 6,500 rubles.

In accordance with a planned schedule, the constituent entities of the Russian Federation are implementing a centralized equipping of ambulance-clinical facilities with diagnostics equipment and ambulance vehicles. In 2006, 1,872 units of diagnostics equipment were delivered, 807 installed, and 662 put into operations, for a total sum of 14.3 billion rubles. Some 33,000 ambulance vehicles were purchased.

With the aim of preventing, detecting and treating HIV infections, hepatitis B and C, corresponding drugs and diagnosis testing systems were supplied in the course of 2005-2006; directive and regulatory documents were prepared and planned medical measures implemented.

In order to organized mass health checks for newborn babies, an analysis of the material and technical conditions and staffing levels of the medico-genetic service of the constituent entities of the Russian Federation was carried out in 2006. Additional clinical examinations were performed on four million citizens between the ages of 35 and 55, who work in state and municipal organizations in the education, healthcare, social security, culture, and physical culture and sports services, as well as scientific research centers. Two billion rubles were earmarked for this assignment. In 2006, some 15 million medical services were performed for working citizens, an additional 3.5 million health checks were carried out on people working in hazardous industries, for a total sum of 1.9 billion rubles.

The Project's implementation is yielding concrete results. According to Federal State Statistics Service data, the infant mortality rate in the Russian Federation for 2006 fell by 3.6 percent compared to 2005 figures. In the Belgorod, Chelyabinsk, Voronezh, Perm, Tver, Ulyanovsk, and Irkutsk oblasts and krais, the infant mortality rates within the first seven days after birth fell by an average of 19 percent.

Under conditions of the current demographics situation, a program of birth certification is helping preserve the health of the mother and securing the birth of a healthy baby.

Some 9.9 billion rubles were assigned for «Providing the Population with High-Technology Medical Assistance» in 2006 (including 4.1 billion rubles in funding within the frameworks of the «Health» project), with high-technology medical assistance issued to 128,000 hospitals, which doubled the figure for 2005.

Within the frameworks of implementing the «Health» project in 2006, standards were developed for providing high-technology medical assistance; basic financial costs were calculated; a mechanism was established for making federal specialized medical facilities follow state assignments; the requirements of the population of the Russian Federation for these types of medical services were examined and their amounts set for 2007.

Some 32 billion rubles of federal budget funds were assigned for 2006-2007 to finance the construction of 15 federal centers of high medical technologies. In 2007, 19.4 billion rubles in spending is planned to set up seven such new centers, with seven others set up in 2006 expected to be placed into operations (in the cities of Astrakhan, Krasnodar, Krasnoyarsk, Penza, Tyumen, Khabarovsk, Cheboksary).

Monitoring of the «Health» project's implementation is showing that, overall, the correct course was chosen for how to develop domestic healthcare. However, some problems remain that are keeping the efficiency of state policy in this area from improving. Particularly, uncertainties and inconsistencies in state guarantees for medical assistance for the population have to be eliminated; the existing system of mandatory medical insurance must be improved; the performance levels must be raised by the constituent entities of the Russian Federation in executing

their obligations on making medical payments for the non-working population; stimulants must be created to prompt medical insurance organizations and medical institutions to improve the efficiency of how they utilize their financial resources; the economic independence of budget-funded healthcare institutions must be improved.

Inseparable from healthcare provision for the people is the state policy for physical culture and sports. The right to physical culture and sports activity appears next the right to healthcare in article 41 of the Constitution of the Russian Federation. The annual address of the President of the Russian Federation to the Federal Assembly of the Russian Federation have taken repeated note of the need to develop an efficient state policy for creating a healthy people, which is capable of guaranteeing the future development of the state and society. Such a policy serves as the best defense mechanism for preserving the nation.

However, until the present, relations in the area of physical culture and sports have been regulated by the Federal Law «On Physical Culture and Sports in the Russian Federation», and normative legal acts that were adopted in its connection. An analysis of the enforcement of legislation in the area of physical culture and sports shows that the law has internal contradictions, and that the regulations assigned to it are declarative in nature. As a consequence, it becomes impossible to implement an efficient state policy in the area of physical culture and sports.

The target-oriented program, approved by the Government of the Russian Federation in 2006, on the «Development of Physical Culture and Sports in the Russian Federation for 2006-2015» is aimed at strengthening the material-technical framework of physical culture and sports through a reform of the budget process, foreseeing a move toward target-oriented planning methods.

As a result of amendments to the above-mentioned law «On Physical Culture and Sports in the Russian Federation», the concept of a «sports passport» was introduced with the goal of unifying and improving the records-keeping of sportsmen in the Russian Federation and improving the system of monitoring their levels of health. The presence of a sports passport became a mandatory condition for sportsmen moving from one Russian sports organization to another, and a condition for their admittance to participation in Russian national competitions. The concept of a «Unified Russian National Sports Classification» was also made more precise, a list was established for sports titles, classes and classification categories of judges in the Russian Federation, and a procedure implemented for awarding honorary sports titles.

Physical culture and sports, as a part of a state policy on improving the health and culture of the nation, is a comprehensive and inter-departmental field. For this reason, especial influence on state policy in the field of physical culture and sports is further being exerted by provisions of other federal laws.

Thus, in the process of providing a legislative groundwork for the delineation of power, the authorities of government bodies in the constituent entities of the Russian Federation and of local self-government were expanded in the area of physical culture and sports, which they implement on their own and at the expense of the budgets of each constituent entity of the Russian Federation. This has allowed to maintain governing bodies for physical culture and sports at all levels of state government and local self-government.

The next step in the development of state policy in the area of physical culture and sports will be the comprehensive legislative provision of professional sports in the Russian Federation, with a series of draft plans expected to be implemented into law with this goal in mind for 2007. They intended to specify the status of professional sports, provide a legal formalization of relations with professional sportsmen, and to ensure additional social security guarantees and material support for veterans of domestic sports.

The State Duma is examining a draft, submitted by the government of the Russian Federation, of a new edition of the Federal Law «On Physical Culture and Sports in the Russian Federation», which is aimed at making comprehensive and systemic corrections of the shortcomings in the existing version for the federal law. It must guarantee the achievement of the following goals of state policy in the area of physical culture and sports: improve the health of the

nation; harmonize the moral development of the individual; nurture character and patriotism. It is essential to remember that sports are a powerful means of rearing civic patriotism, without which it is impossible to ensure national security and economic prosperity.

This draft law is highly economically efficient. Implementation of the state policy embedded in the draft law, and the expansion of the circle of people who are joined in physical culture and sports, will in the future be able to significantly improve the level of health of the country's population as a whole and to reduce the level of illness by optimizing the state's spending on provision of medical assistance and benefit payments to people on temporarily disability status. It should bring the performance of federal government bodies, bodies of power of the constituent entities of the Russian Federation and bodies of local self-government in the area of physical culture and sports in line with the responsibilities established between the various levels of government in the course of administrative reform.

The draft law establishes a place for physical culture and sport in the education system, in the Armed Forces of the Russian Federation, and in other structures where military service is performed, in law enforcement agencies, and in jobs on presenting services to the population at the place of their residence. It is called to promote strengthening the country's position on the international area in the area of high-achievement sports.

At the same time, serious work remains in perfecting the draft law, since it does not completely achieve the goal of using market mechanisms in the area of physical culture and sports, and in certain other areas that were identified over the course of multiple years of monitoring in this sphere. The draft law still does not properly reflect such relevant issues as scientific backing for physical culture and sports, the protection of citizens' health during sports activity, social security measures for sportsmen, trainers and other workers in the field of physical culture and sports, regulation of relations in professional and student sports, publicity of physical culture and sports, preparation of specialists and improvement of qualification of physical culture and sports staff, measures on developing the sports industry, and security measures for sporting and public sporting events. The draft law does not sufficiently envision the mechanisms for developing and introducing federal standards for provision of services in the physical culture and sports field, as well as for insurance instruments. It does not identify mechanisms for reconstructing and building new gyms, swimming pools and sports complexes, for the creation of children's and youth sports schools, children's sports clubs of physical training and medical exercises dispensaries. It does not place responsibilities on state officials and heads of education institutions for creating conditions for physical culture and sports activities in schools and general education institutions.

The strategy of perfecting the legal regulation framework for physical culture and sports must not only ensure the fine-tuning and adoption of the new law, but also making amendments to the corresponding legislative acts, which concern physical culture and sports. These, first of all, are the Codes of the Russian Federation — Civil, Labor, City-Building, Budget and Tax — as well as legislation regulating issues of education, youth policy, healthcare and licensing.

It appears that in 2007, it will be essential to launch a double monitoring: first, of legislation in the area of physical culture and sports, and second, of the state of the population's physical health and the physical preparation of children, teenagers and the youth. This will help create and efficient and functioning system of measures aimed at implementing the state policy on physical culture and sports. In this case the legislator, while developing normative legal acts, will be guided not by individually disconnected indicators received from the constituent entities of the Russian Federation, but by monitoring results, conducting through a single methodology.

In the end, this will help to significantly improve the legal frameworks of state policy in the fields of physical culture and sports, create a sub-legislative base of normative legal acts, and establish long-term guarantees that citizens of the Russian Federation will be able to exercise their right to engage in physical culture and sport.

The Address of the President of the Russian Federation for 2006 devoted especial attention to the question of improving the quality of life and environmental safety. Ensuring environmental

safety is one of the priorities of state policy because the scales of the consequences of environmental and man-made disasters, as well as the technological environment impact we are witnessing today, are posing a real threat to the life and health of the entire population of Russia.

Environmental safety is part of national security, and the main task of the state in its provision is the prevention of environmental catastrophes as a result of technological accidents. In recent years, the number of major accidents that caused environment damage has grown in the country. For example, on the territory of the Khanty-Mansiysk autonomous okrug, some 16,000 environmentally damaging accidents and incidents on oil pipeline networks of the oil and gas complex enterprises were registered between 2001 and 2006. The total mass of pollutants that escaped into the immediate environment stood at 64,700 tons, and 1,300 hectares of land were polluted. In 2006, environmental problems attracted intense attention to the «Eastern Siberia — Pacific Ocean» and «Sakhalin-2» oil pipeline projects.

The course of undertaken socioeconomic reforms in the Russian Federation, accompanied by an expansion of economic freedoms and preferential tax treatments, is leading to a prevalence of economic interests over environmental ones, and is not supported by measures on raising the responsibility of business enterprises for the negative economic effects of their operations.

Among the most important economic mechanisms for regulating environmental protection activities, the Federal Law «On Environmental Protection» stipulates for compensation for damages, payments for negative effects on the environment, and mandatory environmental insurance. The implementation of economical and resource-saving technologies, energy conservation, as well as the reconstruction of industries on new technological platforms, will help secure significant growth in production without weighing on the environment.

The current environmental protection legislation has insufficiently developed mechanisms for ensuring the compensation of damages caused to the surrounding environment. Individual normative legal acts contain provisions on the use of insurance for compensation for environmental damage, but they lack the mechanisms for their implementation. In order to eliminate the fragmentation of legal regulations and create a unified approach to securing compensation for damage to the environment, the Council of Federation is currently drafting a project federal law «On Mandatory Environmental Insurance». It should create a legal groundwork for building a unified system of protection against damage to the environment, the lives and health of citizens, and well as for the liquidation of its consequences and environmental restoration.

A legislative consolidation of the payment mechanism for negative environmental effects, and environment insurance, will serve as stimulants for industrial modernization, the use of energy and resource saving technologies, especially in the oil and gas industry. Russia has signed a number of international conventions and agreements, including the Kyoto Protocol. In accordance with these documents, it must reduce its negative effects on the environment, which may be accomplished through the use of modern technologies.

In European countries, the fundamental document in the area of environmental protection during the performance of economic activity is Directive 96/61/EC of September 24, 1996, «On Integrated Pollution Prevention and Control». The Directive introduces the concept of «best available technologies». In following through on the Directive's provision, a special management body was created — the European Bureau — that prepared a series of advisory reference documents in the field of the best available technologies for various segments of industry, including waste management, reprocessing of mine refuse during the development of mineral deposits, as well as for oil and gas refineries. It seems appropriate to employ this material as a basis during the development of corresponding Russian standards and technical regulations, whose goal is to protect the environment, and the lives and health of citizens.

The timely adoption of technical regulations is exceedingly important to raising the level of environmental protection, the safety of the lives and health of citizens, and to securing the competitiveness of Russian production. However, up to this point, the Government of the Russian Federation has failed to submit to the State Duma a single draft federal law on technical

regulations in the environmental protection sphere. At the same time, it should be noted that the existing government program presumes the development of technical regulations aimed at resolving the problem of environmental protection and provision of environmental safety.

As monitoring of the legal practice shows, courts issue contradictory rulings in cases arising from violations of environmental legislation because the existing methodology fails to provide for reliable damages estimates of actual harm caused to the environment. In particular, lawsuits on compensation for environmental damages are for the large part limited to demands for payment for pollution that goes above the norm, which of course does not meet the point of using economic methods to protect the environment. The shortcomings of environmental legislation are also being confirmed by reports received from ministries and departments, regions, and environmental protection and law enforcement agencies, which were all presented to the Council of Federation in the course of preparation of the draft federal law «On Mandatory Environmental Insurance». According to data from the Justice Ministry of Russia, not a single guidance document has been developed over the past two years.

Under such circumstance, the constituent entities of the Russian Federation are, within the limits of their authority, filling in the gaps of federal legislation. Moscow, Tatarstan and the Khanty-Mansiysk autonomous okrug are leading the way. But all of the regions only point out the shortcoming of the regional components of environmental legislation. For its full-fledged development, a modern methodological framework for economic appraisal of environmental damage is needed, which has legal status on a federal level.

Current tasks in improving legislative and legal enforcement activity include a rational delineation of authority in the environmental protection sphere between federal government bodies, bodies of state power of the constituent entities of the Russian Federation, and bodies of local self-government.

An analysis of proposals submitted by the legislative and executive bodies of power of the constituent entities of the Russian Federation show that they believe it would be beneficial to restore the authorities of bodies of local self-government in carrying out municipal environmental controls, and to raise the efficiency of participation by the bodies of executive power of the constituent entities of the Russian Federation in leading state environmental monitoring.

A current task in the sphere of international cooperation by the Russian Federation remains the harmonization of legislation in the space of the Commonwealth of Independent States. The list of model legislative acts, which are part of the Long-Term Plan of Model Lawmaking and Harmonization of National Legislations of the CIS for 2005-2010, includes three draft legislations concerning the issues of environmental protection, which were drafted by the relevant committee of the Council of Federation.

An improved environmental protection system, provision of environmental safety, and development and implementation of state environmental policy could all be promoted by the creation a special federal body of the executive power, vested with broad authority in this sphere, including in the area of environmental control and environmental impact audits, environmental quality ratings, securing environmental payments and developing environmental insurance.

Thus, a need has to come a head for the development and implementation of urgent measures on environmental improvements in the country. And in this package of measures, the decisive role must be played by an improved regulatory and legal framework, which determines the mechanisms for stimulating careful environmental management and environmental protection. This would, in the first order, include the preparation and enactment of the draft laws «On Payment for Negative Environmental Impact» and « On Mandatory Environmental Insurance».

In the Address to the Federal Assembly for 2006, the President of the Russian Federation proposed a program of measures of state policy on education, and formulated its goals — improving the competitiveness of the education system; providing assistance and support to universities that implementing innovative programs; improving vocational education programs;

broadening the financial independence of education institutions; creating a system of education credits; compensation of preschool expenses.

Legislative work on providing education policy support in 2006 corresponded to the measures on implementation of the «Education» priority national project. The need to optimize legislative work in the education sphere was predetermined by the goals of legal monitoring — evaluation of the quality of legislation, its completeness and functionality, identification of contradictions and vagaries requiring legislative regulation, analysis of the level of protection of citizen's constitutional right to an affordable and quality education.

Despite the fact that a large number of normative legal acts were developed and adopted for the implementation of the «Education» priority national project, according to information coming from the constituent entities of the Russian Federation at the initial stages of implementation, out of the project's seven programs, only one is seeing full-fledged and efficient implementation — compensation of education workers of general education institutions for their performance of class leadership functions.

Representatives of the constituent entities of the Russian Federation have repeatedly underlined that on the federal level, normative documents are being adopted with failure to meet the dates and deadlines established by the Government of the Russian Federation. This has significantly complicated the provision of schools with teaching supplies, equipment, computers, and the supply of buses to rural schools.

One problem remains in organizing the monitoring of how the «Education» national project is being implemented, since the corresponding mechanisms of cooperation between the executive bodies of power of the constituent entities of the Russian Federation and the federal bodies of executive power have not been fully regulated. Reports — which are too voluminous in content and unjustifiable frequent in appearance, being requested at all levels by all branches of power — simultaneously duplicate each other while suffering from imperfections and contradictions. This prevents an analysis of the true current situation and does not promote the timely detection and resolution of specific problems.

In order to resolve these problems, including in the part on regulatory legal provisions for the national project's implementation, proposals were made concerning the improvement of federal legislation so as to specify the category of «preschool education», the status of a pedagogical worker, the organization and content of extended education for children, provision of education for persons with health disabilities, development of new technologies in information and communications for education, provision of fair competition on the education services market, raising the economic independence of education institutions, creation of a system of continuous vocational education, improvement of the remuneration system in the education sphere while taking into account the observance of social guarantees.

The legal monitoring performed by the Council of Federation has permitted the execution of qualified legislative provision for the state's education policy. In 2006, amendments were introduced to the federal laws «On Education» and «On Higher and Post-University Vocational Education», which directly regulate public relations in the education sphere.

The financial component for the implementation of state policy in the education sphere will be provided in 2007 by the law «On the 2007 Federal Budget». An analysis of the federal budget laws for 2006 and 2007 has permitted to compare and relate the amounts of financing allotted to the national project in these years.

In 2007, financing for the «Education» priority national project will increase by 164.8 percent compared to 2006. The total amount of spending in 2007 will stand at 48,260.8 million rubles. Finances have been reserved for: provision of monthly compensation payments for class leadership; awarding 100,000 rubles each to the 10,000 best teachers — one billion rubles; identifying and paying bonuses to talented youth — 200 million rubles; implementing innovative education programs at education institutions — 18 billion rubles (compared to 2006 — 125 percent); implementing modern education technologies that envision the connection of general education

institution to the Internet — four billion rubles (compared to 2006 — 166.7 percent); developing a national universities system and creating business schools to prepare managerial staff — six billion rubles; centralizing procurement of buses for rural general education institution — one billion rubles; providing education and instructional-training equipment for general education facilities — 2.3 billion rubles; courseware and information support — 280 million rubles.

In addition, the 2007 budget earmarks funding for the implementation of two new directions for the «Education» priority national project: For state support of constituent entities of the Russian Federation that introduce comprehensive measures of modernized education, including payments to education workers, 3.5 billion rubles in subsidies are planned. For state support of federal education institutions for beginner vocational education, which prepare specialists and staff for the high-technologies sector — 300 million rubles.

Legal monitoring was not limited to legislative activity. Based on its results, a decision was reached to develop a draft law on the introduction of changes and additions to the Law of the Russian Federation «On Education» (in the part on preschool education).

A new federal law of January 6, 2007 «On Making Changes to Individual Legislative Acts of the Russian Federation on Issues of Providing Affordable Secondary Vocation Education and Higher Vocational Education for Servicemen (Civilians) Who Are Undergoing (Underwent) Military Service Under Contract» is meant to harmonize the regulations in the laws «On the Status of Servicemen», «On Education» and «On Higher Post-University Vocational Education».

According to the federal law «On the Status of Servicemen», servicemen bear the right to non-competitive entry to higher and secondary professional education institutions in cases when they earn positive grades on their entrance exams. At the same time, neither the federal law «On Education» nor the federal law «On Higher Post-University Vocational Education» present the same right to servicemen.

This federal law offers these individuals with the right to study at preparatory departments of universities at the federal budget's expense, determines the procedure for the formation and function of these preparatory departments, stipulates the benefits offered upon entry to university (particularly, non-competitive acceptance to university), and establishes a higher level of stipends during preparatory department schooling and through residential forms of education.

This federal law's adoption will help broaden the rights of citizens who served no less than three years under contract in the Armed Forces of the Russian Federation, and at other military formations consistent with the rank of soldiers, sailor, sergeants, sergeant-majors, when they enter civilian state and municipal secondary and higher vocational education institutions.

At the same time, a number of unresolved problems remain that must become the focal points in 2007. Due to federal-level violations of normative legal act deadlines, approval was delayed at the level of the constituent entities of the Russian Federation of the «Education» priority national project's parameters in the directions concerning the «Introduction of Modern Education Technologies» and «Agricultural School Bus».

In the «Support and Development of the Best Examples of Domestic Education» direction, the spending parameters of federal budget finances allotted to the constituent entities of the Russian Federation have not been clearly defined. The conditions and procedure for holding competitions within the directions of the project are not completely developed — particularly, concerning the criteria for competitive selection of education institutions that will be introducing innovative education programs, as well as the criteria for talented youth and best teachers.

It appears that the «Education» national project needs to be appended with measures of state support for preschool education institutions, institutions for extended education for children, institutions for basic and secondary vocational education.

Monitoring of the implementation of the «Education» priority national project shows that in 2007, it would be useful to determine the potential of providing state support for young specialists in the education system that would attract and keep them in schools; general education institutions (schools, high schools, vocational schools) that are part of structure of pedagogical colleges and

universities; provision of fire safety at education institutions, as well their sanitary and epidemiological safety; maintenance of the serviceability of education institution buildings; school medicine; as well as for sports school.

The education system's main task is to teach people how to understand and analyze events, and to employ and improve the knowledge they receive. It is not sufficient to simply strengthen the material base of an education system, to raise the level of remuneration of education workers, or to present information to those who study — it is important to teach people how to use this information. Otherwise, the created human capital will not be efficiently employed.

The state policy in the field of culture was examined in detail in the Address of the President of the Russian Federation to the Federal Assembly for 2005, which set out the goal of its development. However, due to its scale, this problem could not be completely resolved in the course of 2005-2006.

Monitoring of current legislation in the field of culture showed that the main direction of state policy in the field of culture for 2006 was focused on restructuring the state support system for culture.

With these goals in mind, changes were introduced in 2006 to certain legislative acts of Russia in connection with the adoption of the Federal Law «On the Placement of Orders for the Delivery of Goods, Execution of Labor, Performance of Services for State and Municipal Needs», which implements broad-scale competitive order placement procedures for almost all of the country's budget-dependent institutions. It requires the staging of auctions for all works and services, including those linked to the specific nature of activities carried out by culture and art institution. At the same time, the criteria of determining the winners of these auctions are such that in a competition for the restoration or provision of security for museum objects and collections, the winner may quite easily turn out being not the traditional, dependable and professional partner of the cultural institution, but someone who bids a lower price for his services at the auction. In order to avert these types of collisions, work is currently underway on projects of several federal laws.

In 2006, amendments were introduced the federal law «On State Support for the Cinematography of the Russian Federation», which provides for the elimination of excessive state regulation and the reduction of overlapping functions of government bodies that implement state policy in the field of cinematography. In particular, the function of the federal body of executive power on maintaining a register of cinematography organizations was abolished. In January 2007, changes were also introduced to the federal law «On the Frameworks of Tourism in the Russian Federation», which in first and foremost establishes guarantees for consumers of tourism services.

The fall of 2006 saw the adoption of federal laws that create a legal foundation for the reorganization of a large number of institutions in the education, medical and cultural spheres into new types of legal entities — state (municipal) autonomous institutions, and also for the improvement in the efficiency of how organizations performing social and cultural functions utilize their budget resource.

On February 2, 2006 a federal law was adopted providing for the return to the Republic of Hungary of 134 volumes from the library collection of the Sarospatak Calvinist College of the Hungarian Reformed Church, which were moved to the Soviet Union in 1945 as a result of World War II, and which were stored in the Nizhni Novgorod Lenin state oblast universal scientific library. This document develops the legal enforcement practice of the federal law «On Cultural Valuables, Moved to the Soviet Union as a Result of World War II and Located on the Territory of the Russian Federation».

Today, the deficiency of the existing legal framework in the cultural sphere is clear. Legislation must stand up to its enormous social role, complexity and specificity, to embody the state's culture doctrine, and to provide optimal conditions for the creation, preservation and «usage» of cultural values,

Implementation of the main goal of the country's socioeconomic development, which is to improve the standard and quality of life of the population, is first and foremost provided through improvements to social policy and the development of social and cultural sectors in people's lives.

The population's personal income grew dynamically in 2006, but growth in the average size of pensions was less remarkable than that witnessed in wages. The share of wages and pension in the gross domestic product remained low. The replacement ratio of the average pension of an average income wage size continued to decline, with the replacement ratio being significantly lower than that in most European countries. The size of Pension Fund's budget deficit is growing at an accelerating rate. The fund's 2007 budget plans to increase the size of the average pension by 15.4 percent.

Laws were adopted guaranteeing higher levels of pension provision to several categories of citizens. For example, persons awarded the «Resident of Blockaded Leningrad» decoration earned the right to two pensions (labor pension for age, and pension for disability). Nevertheless, monitoring of the state of legislation and legal enforcement in the social sphere shows that in order to ensure higher income, standard and quality of life of the population, serious legislative decision are required in the sphere of wage and pension provision, including pension system improvements.

Legislative regulation of pension provision for military pensioners also needs to be improved. An analysis shows that under current conditions, when the size of military service pay grows through increases in the amounts of individual bonus payments that are not included in pension calculations, a legislatively established procedure for direct pension indexation for military pensioners may significantly improve the pension calculation system.

Important problems are awaiting the legislative regulation in healthcare. The deficiency of the current system of mandatory medical insurance is expressed by the absence of functioning mechanisms that could prompt medical insurance organizations and medical organization to improve the efficiency how they allocate their financial resources. It is essential to develop and adopt efficient measures, including legislative ones, which could fundamentally improve the supply of medicine to benefit categories of citizens, and to supply the disabled with technical means of rehabilitation.

An analysis of the legislative process for 2006 in the social sphere shows that the main priority in the plan to improve the quality and standard of life of the population was to find a solution to the demographics problem, including through the implementation of national projects in the areas of education, healthcare, housing and social development of the agricultural sphere. These solutions aim to improve the affordability and quality of these services.

Demographic policy is turning into a national «mega-project», which unites the solution to comprehensive issues of social development, including the issues of higher personal incomes and lower poverty levels.

The most important ways of resolving the demographics problem are through strengthening family, raising the birthrate, developing the institution of the foster families, and also by reducing the death rate, and regulating the migration processes. A number of these issues go outside the frameworks of this report's second chapter, and are examined in its other sections. These, for example, include the prevention of road accidents, regulation of temporary labor migrations, and other issues.

It would appear that the main issues for «mega-project's» development in 2007 must become the directions that failed to receive sufficient development and legislative activity in 2006. First of all, it is essential to develop and confirm a state conception of a demographic and migration policy of the Russian Federation, whose absence prevents the planning of a sequential and long-term system of demographic policy measures, at both the federal and regional levels.

Second of all, it seems sensible to adopt specific legislative measures on reducing the death rate from alcoholism, drug use, smoking, and on promoting a healthy lifestyle. It is also essential to resolve, in a sequential order, issues concerning the reduction of poverty among families

with children, and to improve the access of children who come from multiple-children and poor families to the basic development resources: a quality education and medical assistance, cultural institution services, opportunities to take part in physical culture and sports activity.

### **1.3. Economic development of Russia**

In his Address to the Federal Assembly for 2006, the President of the Russian Federation noted that: «today, our main efforts are directed specifically at those area that directly determine the quality of citizens' lives». Further efforts in the legislative and economic spheres must be directed at creating a strategy for economic development that guarantees a better standard of living for citizens.

The President pointed to the need to seek high levels of economic growth. At the same time, he noted that on the whole, we are accomplishing this task and that over the past three years, the average rate of economic growth stood at about seven percent. However, «if we fail to improve the main macroeconomic indicators and do not establish the required levels of economic freedom, if we fail to create fair competition and do not strengthen property rights, then the goals that we have set ourselves in the economic sphere are unlikely to be met in time», the President stated.

In connection with such a definition of the problem, especial attention in the course of monitoring was paid to the future improvement of legislation capable of improving the level of economic freedom and creating a competitive environment in the fields of manufacturing and housing infrastructure, natural resource use, and the agro-industrial complex. The most important reforms, meant to radically improve the competitiveness of the Russian economic system, include the removal of excessive administrative barriers placed by the government on the industrial initiative of both citizens and business.

The year 2006 was marked by a new stage of development of legislation aimed at setting the groundwork for a strategy for economic development and strengthening the human and civil rights in the economic sphere. The current stage of development is characterized by the fact that the Russian economy is encountering a number of restrictions. First of all, these restrictions come from the existing production infrastructure, and from insufficient activity of investments that could ensure the quickest transition to an innovative path of development. These problems determined the main lines of activity of the legislative and executive bodies of power in 2006, and will continue to determine them for the future, including in regulatory-legal activity.

The Address for 2006 set the goal of creating new, and improving the efficiency of existing, state and private investment mechanisms. Much progress was already made in this direction in 2006. The Investment Fund of the Russian Federation is now operating. It represents a principally new instrument for state investment policy, aimed at economic growth and diversification. The open joint-stock company «Russian Venture Company» (RVK) has been formed.

The process of agreeing the project law «On the Bank of Development» is drawing to a conclusion. This new development institute will allow, without relying on budget resources, to support and insure banks when they issue credits for investment projects in the manufacturing sector that have long product payback periods.

Construction has begun on four special economic zones, created for the implementation of technology and industrial production. A competition has been staged for selecting regions that would have the right to open special economic zones for tourism and recreation. Implementation is starting on the «Creation in the Russian Federation of Technology Parks in the Field of High Technology» state project, and a major package of 12 high technology programs has been created for 2007, with a total value of 112 billion rubles.

The Government of the Russian Federation is ever more readily using a programmed approach to develop leading sectors of the economy. This includes a range of measures on the development of civil aviation equipment, the space-rocket industry, the construction industry, domestic agricultural and transportation machine building.