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### **RUSSIA: DEVELOPMENT AID POLICIES AND PERSPECTIVES**

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#### **Abstract**

After more than twenty years of independence, Russia has recovered from economic and political shocks and demonstrates its commitment to gain new political and economic role in the global development aid architecture. International development assistance provided by Russia to other countries has increased from USD 100 million in 2004 to USD 610 million in 2013. The Concept of Russia's participation in the international development assistance, approved in 2007 and updated in 2014, outlines Russia's priorities in the international aid sphere. Based on review of this concept, available official statistics and expert estimates, this paper provides qualitative and quantitative analysis of the dynamics and perspectives of Russia's transformation from the international aid recipient into one of the donor countries. The results indicate that there is a large gap between Russia's political ambitions and actual development aid policies; moreover, there is a shift towards a "soft power" concept in political decision making. At the same time, the potential of Russia's embedding into the international development aid system remains high.

**Keywords:** International Development Assistance, Donor Country, Aid Recipient, Russia, Soft Power

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#### **1. Introduction**

Development of the globalized world requires a lot of resources and international aid is one of them. Global development and global wellbeing highly depend on each country's resources and ability to provide balanced, sustainable economic growth and to address global challenges such as epidemics, climate change, drugs and human trafficking, etc. Countries inequality hampers and decreases the possibilities of development, poverty and hunger alleviation, natural disaster resistance, and increases security threats. International development assistance is one of the sources used to mitigate economic inequalities and to support countries' development.

During almost 70 years of existence, the international aid system has undergone at least four periods in its development and the start of next, fifth period is approaching. The international aid system was established after the Second World War to help countries to rebuild their economies ruined by the War. During the decades the aid system was developing and shaping along with the changes in the world political structure and world economy.

Several periods of aid system development could be highlighted. First, already mentioned initial post-War period aimed at Europe rebuilding. Second, the period from the 1960s to the end of the 1980s, during which foreign aid was often used to support allies countries in the developing world. Third period started after the end of the Cold War. During this period the focus of official aid began to move further towards the alleviation of poverty and the promotion of development. The countries that were in the most need and poverty became more

of a priority. In addition, a significant flow of assistance was provided to post-communist countries in their transition to a market economy, including Russia. Fourth period could be linked to adoption and implementation of Millennium Development Goals and referred to as a period of addressing development issues and meeting global challenges. And finally the next, fifth period is ready to start after the adoption of the post-MDGs agenda in 2015.

International aid architecture is changing with changing geography of poverty and new countries offering development assistance. The international aid architecture is comprised of two pillars. First, development assistance provided by the governments of countries on a bilateral or multilateral (through international organizations) basis. Second, private development assistance provided by private persons and organizations (through private investments, cash transfers, charitable organizations, the Church).

The first pillar consists of official development assistance (ODA) provided by countries members of Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) and development assistance provided by the countries, which are not the DAC-members. The rise of the non-DAC donors reflects the global changes in the world economy, where the emerging economies would like to play greater, more independent role, including countries, which would like to move closer to 'mainstream' foreign aid institutions, and also those countries who wish to retain greater autonomy and bilateral freedom in their development cooperation practices and are critical of the existing architecture and ideologies of foreign aid.

After economic revival Russia has joined new donor countries community and declared its intention to become a significant player in the area of international development assistance. After more than 20 years of transition Russia regains its positions in the global world and though it still has the smallest aid budget compared to major developed countries, Russia makes all possible attempts to become a new donor country.

The paper focuses on three questions. First - what are the political reasons for Russia to seek donor's position? Second - What are the key characteristics (the structure and the indicators) of the international aid provided by Russia? And finally, third, what is the potential of Russia's as a donor country? Within the latter question the issue of what is the attitude of the population of Russia towards international development aid and Russia being a donor country is also addressed. The analysis is based on the official statistics and expert estimates, where the statistics is missing.

The analyses of the case of Russia presented in this paper allows to see perspectives of a new donor country to become an official donor and highlight possible future changes in the international aid system, which the new donors could initiate or stimulate.

## **2. What are the Reasons for Russia to Seek Donor's Position?**

Becoming a donor country is one of the important elements of Russia's political strategy. Russia counts its independent history from early 90's when the USSR of which Russia was a core republic collapsed. The first years of independence were marked with severe economic recession, which made Russia one of the big global borrowers and aid seekers. Nevertheless, Russia started its attempts to regain the role of one of the global centers of power, which previously belonged to the USSR.

Russia inherited position of one out of five UN Security council permanent members, in 1997 it was invited to G7 a global club of developed countries, which than became a G8. Although currently 7 developed countries blocked Russia's participation in G8, the 17 years of the country's participation in the G8 have clearly demonstrated that the role of Russia in the world politics is growing. Russia also plays an important role in G20 –economic platform for the dialogue between developed and emerging economies, and is an active BRICS member, as we; as a member of many other formal and informal political and economic organizations. Participation in the international development assistance system is one of the important elements of Russia's political strategy.

Political reasons of being a donor are numerous, but the key for Russia is to strengthen its geopolitical positions, pursue its national interests and maximize the return on provided aid.

Russia's wish to become a donor country is based on several factors. First, the inherited mentality of a superpower after the break of the Soviet Union demanded that Russia as its successor should regain the same status as had the former USSR. Second, rather fast economic development, which followed first years of independence, opened the window of opportunity to shift from being an aid recipient to being a donor.

Third, participation in the international aid system helps Russia to realize its political ambitions, which include strengthening of the positive image of the country, as a new market oriented democratic state helping countries to alleviate poverty, improve education and health systems, fight with the consequences of natural and economic disasters, and contribute to peaceful and sustainable development of the world.

Fourth, participation in the international aid allows building partnerships with different countries, establishing alliances and coalitions which could support Russia's own economic and social development and development of its businesses, strengthen positions of Russia's businesses at the global markets, increase their competitiveness.

Fifth, the provision of such assistance opens up good opportunities for long-term investments in profitable for Russia sectors of the world economy. Sixth, donor's role in contrast to a role of aid recipient makes a country more independent and better able to promote its own interests not relaying on any external economic or financial support. Seventh, it helps strengthening country's security system through establishment of relations with other countries and support of global sustainability.

Review of the historical retrospective of Russia's transformation from recipient to donor country provides additional highlights on priorities and objectives of participation in the international development assistance. Tentatively three stages could be defined in the development of Russia's involvement in international development aid activities:

- 1992 - 2004 –a stage when Russia was an international development aid recipient country and at the same time started to create prerequisites for turning into a donor country;
- 2005 - 2007 –a stage when Russia started to provide international development aid. This stage ended in June 2007 with the adoption of the concept of "Russia's Participation in International Development Assistance"
- 2008 - till nowadays –the stage of reinforcement of Russia's geopolitical positions, active participation in provision of international assistance, with a shift towards "soft power" principles.

USSR's assistance to other countries predetermined the geopolitical vectors of Russia's aid and left over the pattern under which first comes donors' interests while the development interests of a recipient country are less important. Russia has inherited USSR's donor's obligations - a huge set of agreements, which were signed by the USSR with other countries, debts, which these countries owed to the USSR etc.

The USSR has provided help to many developing countries. The focus of the assistance was largely within military-technical cooperation, supplies of arms and military equipment. The substance of the assistance as well as its ideological objective, which was more focused on expansion of communist ideology and less on development, does not allow addressing this assistance as international development aid in its current definition<sup>1</sup>, but rather it should be addressed as Other Official Flows (OOF).

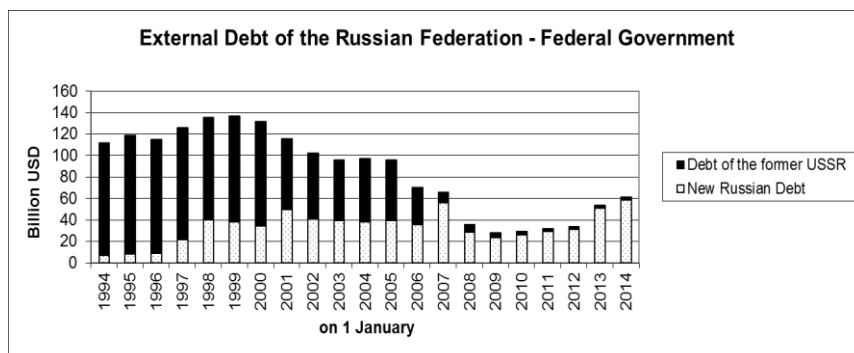
Huge amounts of aid were provided by the USSR for several decades. World Bank (Bartenev and Glazunova, 2013) estimates the total amount of aid provided by the USSR from 1954 to 1991 is USD 78 billion. Granting of credits for the purchase of Soviet weapons,

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<sup>1</sup>The ODA is usually defined as flows of financing of the economic development and welfare of developing countries which are concessional in character with a grant element of not less than 25 percent. In addition to financial flows, ODA includes technical co-operation Grants. Loans and credits for military purposes are excluded.

equipment, whole plants was one of the most often used forms of assistance. The return of the loans, as a rule, was not in monetary form, but in the form of the supply of goods. According to the statistical yearbook by Central Statistical Agency of the USSR (Central Statistical Agency of the USSR, 1986), as of the 1st of January 1985, the number of enterprises and other objects, constructed during the post-war period, and those still under construction in foreign countries with the technical assistance of the USSR was 4720, out of those in the so-called socialist countries - 3307 (Mongolia, Cuba, Bulgaria, Vietnam, China and others), and in developing countries - 1393 (Afghanistan, Iran, Algeria, Egypt, Iraq, India, Syria and others).

Between 1992 and 2004, it has been regarded to be the first stage of Russia's international development assistance activities. The first period of Russia's independence and transition to market economy was marked with severe economic recession, which forced the country to start heavy borrowing. In the last decade of the twentieth century, Russia has experienced significant economic difficulties. The beginning of the transformation process was marked with a substantive decline in production and mass poverty of the population. Russia became an international aid recipient and the borrower. The amounts received as international aid and borrowed, as loans were quite significant. For example the World Bank gave a USD 800 million adjustment loan (which compensated the budget deficit and allowed to pay pensions, which at that time had huge arrears) on development of social protection administration, supported by an investment loan of USD 38 million spent mostly on technical assistance and development of appropriate documents needed for development of social administration. Many other loans were also received during that period. Right before the crisis of 1998 (in July 1998) the World Bank IMF package of USD 22.6 billion was approved to support Russian reforms. The data on the dynamic of Russia's former USSR debt and new Russian debt is presented Figure 1.



**Figure 1. Russia's debt 1994-2014**

**Source:** Bank of Russia <[http://www.cbr.ru/eng/statistics/?Prtid=svs&ch=Par\\_8541](http://www.cbr.ru/eng/statistics/?Prtid=svs&ch=Par_8541)>

At the same time Russia provided symbolic aid to the countries, which met with natural disasters and gave loans/credits to some countries. However, during nineties, Russia has provided assistance to several countries. In most cases the assistance was provided in support to overcome consequences of natural disasters. The scale of this assistance was symbolic and the volumes provided did not exceed ten to fifty thousand USD per recipient country.

The economic and political crisis of 1998 became the turning point for Russia's economic development. The default and ruble devaluation has played their role. The growth of oil prices has also contributed to the startup of Russia's economic recovery, which later on became a basis for Russia's donor activities.

The economic and political crisis of 1998 when Chernomyrdin's government was changed for Kirienko's, which in turn immediately after the crisis was dismissed and changed for Primakov's Government, when national currency - ruble - was devaluated and all country debts defaulted (moratorium on payments to foreign creditors was declared) became a turning point in Russia's economic performance. The economic situation began improve after this crisis, the fall in exchange rate of the Russian ruble increased the competitiveness of Russian goods and facilitated the restructuring and recovery of the economy. At the same time oil prices (one of the

major Russian export commodities) started their rise contributing to the Russia's economic growth. As a result by mid-2000's gross concessional flows for development co-operation ("ODA-like" flows) from Russia started growing.

Between 2005 and 2007, it has been considered to be the second stage of Russia's international development assistance activities. By 2005, Russia's economic development improved and stabilized. It helped to form a basis for transformation from borrower country into donor country. Economic situation changes became more evident in the mid 2000's. By 2005-2006, the world oil prices have grown up and doubled. Russia has increased almost up to technological limits its oil exports. Positive balance of foreign trade was significantly increased. GDP growth rates remained high and stable. The resources of the budget system increased, and almost one third of GDP became available for redistribution through consolidated budget. Since 2000 Russia has run a federal budget surplus and a sustainable balance of payments. In 2005 - for the first time after 1994 - net private capital outflow was almost equal to net private capital inflow. After the period of stagnation, federal budget expenditure on government loans to other countries shows steady growth. Russia's contributions to various international development support programs and funds have increased several folds.

As of 2000, the external state debt of Russia was significant - USD 158.6 billion. Rising oil prices have allowed accelerating its repayment. In 2005 the state debt has decreased by 27% from USD 97.4 billion to USD 71.4 billion. In 2005, the Russian Federation ahead of schedule has paid USD 3.3 billion - the remaining portion of its debt - to IMF. According to the World Bank data the Russia's ratio of the external debt to GNI, which in 2000 was 63%, in 2006 has decreased to 26% and in subsequent years did not exceed 30% (except for the 2009 when it was 32%). Gradually the international positions of Russia were strengthening. In 1992-2004 Russia was in the group of lower middle-income countries (LMC). In 2005 Russia has joined the group of upper middle-income countries (UMC).

Experience of the countries of the world shows that economic preconditions should be suitable for the country to begin provision of international development assistance. Such preconditions in Russia were formed by 2005-2006. In parallel with the development of economic prerequisites, political conditions were also created. By that time the ideas about the role and place of Russia in the global international aid system started to get shaped and appropriate documents were drafted.

Political interest to become a donor was clearly stated through request to OECD to withdraw Russia from the list of recipient countries. Summit of the Group of eight (G8) in Saint-Petersburg under the chairmanship of Russia in 2006 became an important turning point for Russia's efforts to become a new donor country. It would have been strange, if the country-Chairman of the club remained the official recipient of assistance. Russia made an effort to exclude itself from OECD Development co-operation reports as a recipient country. Starting in 2006 Russia was officially excluded from the list of aid recipient countries.

Russia continued its participation in international aid provision and debt management activities. The amount of Russia's commitments for international development assistance increased from about USD 50 million in 2004 to USD 215 in 2006, and up to USD 400-500 million per year in a midterm perspective, including commitments made under Russia's G8 chairmanship.

### **3. What are the Key Characteristics of the International Aid Provided by Russia Today?**

From 2008 till now, third stage of Russia's international development assistance activities, current stage of Russia's involvement in international development aid provision is characterized by rapid changes in the international perception of the system, its objectives, goals, and anticipated outcomes. The recent Development Co-operation Report 2014 (OECD, 2014) states that the development cooperation is changing in line with the changing world and while the ODA still matters, countries' development increasingly depends on their own potential, capacities and policies. The global changes are reflected in the changing lexicon used for development assistance. As noted in the report, world is shifting from "aid" to "development cooperation", the "donors" more and more are seen as "providers" of support, aid "recipient"

countries are rapidly transforming into “partners”, who could simultaneously receive and provide development assistance. The new global agenda has found its reflection in Russia’s development aid policy and its legal framework. The legal framework of Russia being a donor is based on a whole set of internal and international laws and legal documents summarized in “The Concept of the Russian Federation’s State Policy in the Area of International Development Assistance”.

The basic internal documents include: the Constitution (Russian Federation, 1993), the Foreign Policy Concept of the Russian Federation (Russian Federation, 2000), the Budget Code of the Russian Federation (Russian Federation, 1998), the National Security Strategy until 2020 (2000), international agreements, orders and decrees of the President and the Government, etc. The list of basic international documents is even longer: it includes the UN documents, such as Charter of the United Nations (United Nations, 1945) and United Nations Millennium Declaration (United Nations, 2000); documents summarizing decisions of international conferences and world summits, e.g. the Monterrey Consensus of the International Conference on Financing for Development (United Nations, 2002), the Plan of Implementation of the World Summit on Sustainable Development (United Nations, 1992), the Outcome Document of the 2005 World Summit (United Nations, 2005), “The Future We Want”: Outcome Document of the UN Conference on Sustainable Development (United Nations, 2012), as well as provisions of the Paris Declaration on Aid Effectiveness (OECD, 2005), the Accra Agenda for Action (OECD, 2008), the Busan Partnership for Effective Development Co-operation (OECD, 2011), other strategic documents (the Strategy of Economic Development of the Commonwealth of Independent States for the period up to 2020 (Council of Heads of Governments of Commonwealth of Independent States, 2008) and the Saint Petersburg Development Outlook 2013 (Voltaire Network, 2013), etc.

In 2007 “The Concept of Russia’s Participation in International Development Assistance” was developed and signed by the President of the Russian Federation. The Concept summarized the accumulated experience, and outlined major goals, objectives, and principles of Russia’s international development assistance policy. The development and adoption of this Concept has opened a new stage of Russia’s participation in the international development assistance (Russian Federation, 2007).

The Concept was complemented by “Concept Implementation Plan for 2008-2010”, which was also adopted by the government in 2007. At that time about 90% of Russia’s aid was channeled through multilateral organizations. According to this plan the legal documents should have been developed to regulate Russia’s bilateral aid and establishment of appropriate aid administering institutions. The plan was not implemented in full due to several external and internal reasons; one of those was the crisis of 2008-2009, which refocused immediate priorities of the Government. Another reason was in the ongoing competition between different ministries for the leading role in these activities. Nevertheless, along with this plan Russia started to collect and report statistical data on ODA.

During the seven years, which passed since 2008, Russia has advanced in development assistance activities and gained significant experience in addressing these issues. The conditions were created to make a step forward from participation to policy making. As a result, in 2014 the new “Concept of Russian State Policy in the Field of International Development Assistance” was adopted by Decree of the President of the Russian Federation (No.259 as of April 20, 2014).

The policy concept became more defined and uses clear-cut definitions. Though the goals, objectives and principals of the latter document did not change much and remain similar to those initially declared in the first document - Russia would like to use the international development assistance to solve global and regional problems, and to respond to new challenges and threats - the priorities have shifted towards bilateral assistance and neighboring countries and the ambitions are well articulated.

Among those the “historical responsibility” of Russia to improve the modern system of international relations seems most important. This statement clearly reflects at least two facts – Russia has gained economic capacity to return itself a global center of power position of the former USSR and Russia with due respect to international system, would nevertheless like to

lead its international assistance on its own, rather than being following the international organizations.

The basis for selection of the countries to which Russia would like to provide assistance is also re-defined and now first comes the security interest, and second foreign policy interest. The development rhetoric has moved out substituted by international stability and collective security objectives. With regard to regional priorities among possible recipient countries along with neighboring Commonwealth of Independent States (CIS) countries and countries with which Russia has long-lasting good relations, two self-proclaimed republics are enlisted - South Osetia and Abkhazia. The fact that both are not internationally recognized and for many countries remain disputed territories does not stop Russia's intentions to promote its own interests through its international assistance. Furthermore, it should be noted that along with promotion of Russia's interests the maximization return on aid provided is put in focus of the State Policy Concept.

The provision of the international development assistance is shifting towards being an element of the "Soft Power". Currently the international development assistance is more often than during previous periods considered as a part or an element of the "soft power" with international development objectives having subordinate role after "national interests". The concept of "soft power" introduced by Nye (1990) in the 90's of 20th century, states that "soft power" of the state is based on the attractiveness of its culture, values, and political and social programs. "Soft power" is opposite to "hard power", which includes measures of military-forced economic and diplomatic character. The policy of "soft power" is aimed at the promotion of country's interests and policies through raising sympathy for the country, based on its achievements and culture.

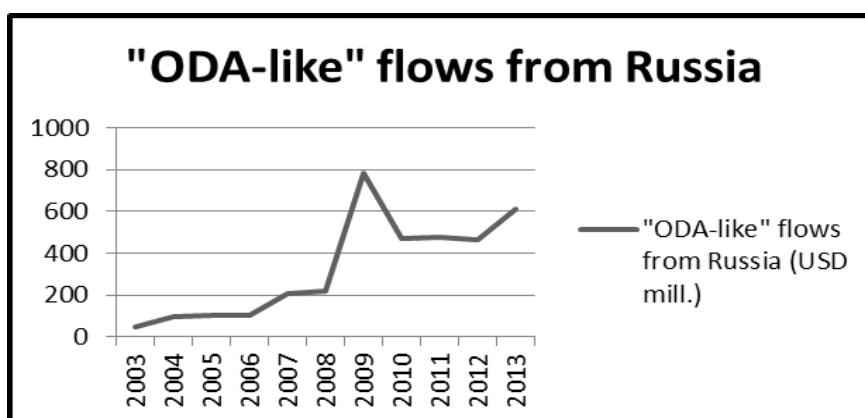
This concept is widely spread in different countries and is now increasingly used in Russia. In December 2011, the "soft power" approach was discussed at the round table organized by the Civic Chamber of the Russian Federation and The Ministry of Foreign Affairs. The Civic Chamber has prepared an analytical report: "Soft Power of Russia in the New Millennium: Potential and Prospects", and it was posted on their official website (Civic Chamber, 2012). In July 2012, the President of the Russian Federation at the meeting with Russian ambassadors and permanent representatives of Russia has mentioned a "soft power" approach, as a new technology, which is worth thinking about. In September 2012, the President in his address to the staff of Rossotrudnichestvo (Russian Agency on International Cooperation under the Ministry of Foreign Affairs) stated that the Russia's national interests should be promoted through the "soft power" policy (President of the Russian Federation, 2012). Sergey Lavrov, Minister of Foreign Affairs of Russia in this article "A World in transition: Priorities of the foreign policy of the Russian Federation" published at the end of 2012 in "Diplomatic Yearbook 2012" (Lavrov, 2012) has clearly identified the need to use of the "soft power" approach.

As a result of the "soft power" concept promotion, the development assistance was refocused from its development objectives to meeting of national interests and it was declared that international development assistance is not a "charity for the sake of charity, but pragmatic method of realization of national interests" (President of the Russian Federation, 2014). This shift was reflected in appropriate documents - the Foreign Policy Concept of the Russian Federation, which was adopted in February 2013, in the "Foreign Policy" state program of the Russian Federation (Government of the Russian Federation, 2013) and after that in the Concept of the Russian Federation's State Policy in the Area of International Development Assistance, which is now focused on bilateral assistance, and primarily addresses development issues of neighboring countries from the national interests position.

The key characteristics of the third (current) stage of Russia's international development assistance activities demonstrate the gap between ambitions and their implementation. Despite of the decline of GDP in 2009 as a result of the global financial and economic crisis of 2008-2009, the economic potential of Russia remains sufficiently high and stable. According to Presentation of the national report of the Russian Federation on the implementation of the policy in the field of international development assistance in the framework of the G8 to increase transparency and accountability (Ministry of Finance of the Russian Federation, 2012), in 2009

in order to reduce the negative impact of the global financial crisis Russia has increased volumes of international development assistance, especially provided to the CIS countries, including within the framework of the Eurasian Economic community. A new mechanism for providing assistance - EurAsEC anti-Crisis Fund of USD10 billion was established, of which Russia has contributed USD 7.5 billion. This Fund among other activities provides support to low-income countries. In 2010, Tajikistan has got USD 63 million from anti-Crisis Fund of the EurAsEC out of the Russia's contribution to this Fund.

In 2007, the OECD decided to open accession discussions with the Russian Federation, which were put on hold in 2014 because of political reasons. Nevertheless starting with 2011 Russia began to submit data on its development assistance expenditures to the OECD. As a result there appeared relatively reliable source of previously classified information.



**Figure 2. "ODA-like" flows from Russia**

**Source:** OECD - Development Co-operation Report 1997-2014

<[http://www.oecd-ilibrary.org/development/development-co-operation-report\\_20747721](http://www.oecd-ilibrary.org/development/development-co-operation-report_20747721)>

As stated in the 2014 OECD Development Cooperation report, in 2013 the Russian Federation has provided USD 610 million of net ODA, which in real terms is 26% higher than in 2012 (Figure 2). The share of ODA in the GNI increased from 0.02% to 0.03%. 42% of the total ODA was provided on a multilateral basis through the World Bank Group (more than 50%) as well as through the United Nations and regional development banks.

The bilateral development co-operation is mostly provided to the CIS countries. The Russian Federation provides its bilateral development co-operation in the form of debt relief, concessional loans, technical co-operation projects and scholarships, as well as budget support.

There is no available data on distribution of ODA provided by Russia by countries, and after 2008 the data on credits provision is also unavailable. However, some information is available because some loans were approved by the unclassified decisions of the Government of Russia.

The available data demonstrates the gap between the ambitions to gain leading positions in international development assistance provision and actual situation. According to Development Co-operation Report 2014 (OECD, 2014), the volumes of the ODA-like assistance provided by Russia still remain much lower than volumes provided by DAC countries as well as non-DAC countries.

The "soft power" ratings also suggest that Russia is far behind many countries. According to the ranking of an independent organization "Institute for Government", located in London, in 2010 and 2011 France and the US were the leaders replacing each other and the UK occupied the second position. In 2010, Russia was ranked 26th, and in 2011 moved to the 28th place surrounded by India and the Czech Republic (McClory, 2010). In 2012, the consulting company Ernst & Young in cooperation with Skolkovo the Moscow School of Management has presented the rating of "soft power". According to this ranking, Russia in this



is on 10th place after the USA France, Germany, Great Britain, Canada, Italy, Japan, China, and India.

Although these rankings might be not perfect, they do confirm the fact that though Russia's ambitions are to become a center of international power, it still lags behind all developed and many emerging economies.

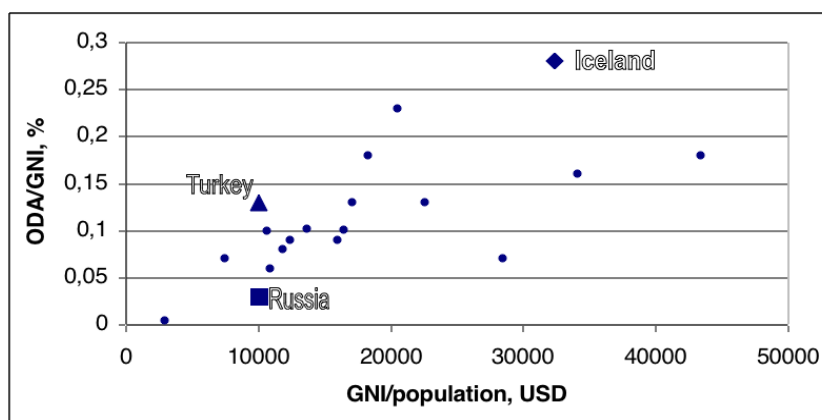
#### 4. What is the Potential of Russia as a Donor Country?

To become an international donor, the country should have funds to finance development aid. But availability of funds is not the only pre-requisite. Along with funds, there should be political interests and political commitment to provide international development aid. Together with aid, donors share their best practices - new technologies, modern patterns, approaches, which along with funds when transferred to the recipient countries allow the latter to gain better results in their development. Provision of funds and implementation of projects involves specialists from donor countries that supervise and facilitate projects implementation, provide consultations and training of local workers.

Russia has strong political commitment to become a donor country. It demonstrates good economic performance, which allows thinking that there could be funds available for development aid. At the same time, currently Russia's input into global development aid is very small.

The simplest way to assess the potential of Russia as a provider of international development aid is to compare the aid volumes allocated by Russia with the aid volumes allocated by countries with same GNI per capita level. The potential is twofold –first if countries with the alike GNI per capita could provide much higher amounts of aid, Russia also could increase its aid to the level of those countries, and second if GNI per capita increases, the possibilities of aid provision will also increase.

As seen from the Figure 3, GNI per capita of Russia is similar, for example, to that of Turkey, but the share of international development aid in Turkey is much higher than in Russia. It is clear that Russia's potential looks quite good. The increase in the aid volumes could be achieved with the increase of the gross national income and further improvement of Russia's economic performance.



**Figure 3. Correlation between ODA/GNI and GNI per capita in non-DAC countries, 2010**

Source: Data from Organization for Economic Co-operation and Development <<http://www.oecd.org>>

Private sector involvement in the development aid activities could increase Russia's potential as a donor country. The available data clearly demonstrates that one of the possible sources of increasing of Russia's development aid potential is the private sector. The data of Russia's balance of payments shows that while in other countries private component of development assistance is sometimes high and tends to grow in Russia, all the assistance is rendered by the state (Borisenko *et al.* 2011).

The research<sup>2</sup> showed that Russian business activities are limited to social support of their industrial production activities. The attraction of the Russian business to programs of international development assistance will allow bringing new technologies and approaches used by private sector along with money to the recipient or partner countries. This could definitely increase the effectiveness and efficiency of aid and make Russia a more attractive donor compared to other countries, which in turn will further stimulate involvement of business and civil society in international development projects implementation.

Public support of international development aid provision could also facilitate rising of Russia's donor potential. In 2010, a survey was conducted by the lead Russian opinion poll agency Levada Center on what is the attitude of Russian people to international development aid. The survey was funded by UK development agency (DfID) through the World Bank. A representative sample of 1,503 respondents domiciled in 96 cities and 35 rural administrative districts in 44 regions of the Russian Federation completed the survey in June-July 2010. In addition, 25 experts were interviewed, representing academia research community, business, media, NGO, policy makers. The interviews were conducted in Moscow (capital), Krasnoyarsk (Siberia), St. Petersburg (north-west of Russia); and Rostov (south of Russia). The survey demonstrated that:

- 63% of the surveyed consider international development aid as a moral responsibility of rich countries to reduce extreme poverty in poor countries;
- 31% supports international development aid aimed at extending the circle of Russia's allies;
- 30% think that aid is needed to fight with terrorism and drug trafficking;
- 30% consider aid as a tool to increase Russia's weight in the world.

Most people think that the aid should be provided in emergency situations, in support to neighboring countries, and when such aid could prevent or eliminate threat to global security. Such thinking is in line with "Concept of the Russian Federation's State Policy in the Area of International Development Assistance", Russian public supports provision of Russia's international development aid in education and training area, health and medical care services area, construction of industrial enterprises, provision of food aid.

60 percent of respondents stated that Russia's domestic problems should be first resolved because currently they see Russia as a rich country with poor people, and to be full scale donor, it needs to transform into rich country with rich people.

At the same time research revealed that Russian population is unaware of Russia's current and planned development aid programs. There is strong interest to receive this information in the future. Information sharing could facilitate involvement in the aid programs of NGO and private sector representatives and as a result, will increase Russia's donor potential.

## **5. Conclusions**

International aid architecture is changing with global development and new countries offering development assistance. The perception of international aid as a moral obligation is transforming into addressing the aid as a pragmatic geopolitical tool, which contributes to an increase of "soft power" potential of a country.

Four periods of aid system development could be highlighted: a post-War period aimed at Europe rebuilding, the 1960s - 1990s period when foreign aid was often used to support former colonies in the developing world, the 1990s-2000s when focus of official aid began to move further towards the alleviation of poverty and the promotion of development, 2000s - till

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<sup>2</sup> Participation of business in implementation of development assistance programs is low in Great Britain, France, Turkey, average in Germany, Canada, Sweden and high in Japan, the USA and China.

now as a period of adoption and implementation of Millennium Development Goals. And finally the next, fifth period is ready to start after the adoption of the post-MDGs agenda in 2015.

Russia demonstrates its commitment to become an active player in the international development assistance area. Its involvement in the international aid provision has passed three stages –first after the collapse of the USSR Russia was heavily borrowing, second, by mid-2000s the country's economic performance allowed to stop borrowing, to pay country's debts to other countries and to state the objective to become an official donor country. And, finally third stage has started with the adoption of official development aid related documents, which defined and formulated key objectives of Russia's involvement in international aid activities, key principles and areas of interest.

Due to the lack of official data, the analysis of the dynamics of Russia's aid structure and volumes is difficult. The available information is fragmented and inconsistent. Nevertheless, it could be stated that the aid flows are growing and that biggest recipients of these flows are Russia's neighbors.

In aid provision, Russia is focused on national interests. It has significant potential as a donor country, which could be further increased through involvement of business and civil society in development projects.

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