

an innovative funding mechanism for commercially-viable pollution control projects. The Bank also plans to demonstrate technology which will hopefully achieve significant reductions in greenhouse gas emissions as well as improve oil recovery rates.

#### (4) Institutional Development

Institutional and legal reforms have been given high priority by the Government. Due to the high costs involved in designing and supervising technical assistance, the Bank is encouraging the Russian Government to target use of Bank funds for technical assistance in areas directly related to on-going Bank lending activities.

#### (5) Energy

This sector is important to the stabilization program in order to generate additional tax revenues and attract foreign investment, as well as to achieve a relatively quick supply response through carefully chosen investments. The Bank's involvement will shift increasingly towards projects managed by public utility-type entities, with emphasis on issues such as pricing, cost recovery and institutional development. Proposals for Bank operations range in the areas of natural gas, power, oil and coal.

#### (6) Financial Sector

The key elements of this program are i) loans to enterprises through commercial banks, ii) regionally-based equity venture funds, and iii) technical assistance to enterprises through regionally based local Privatization Centres. The Government has also shown interest in strengthening non-bank financial institutions as well as promoting exports of non-traditional goods.

#### (7) Agriculture

The key agricultural reform issues are: i) accelerating farm restructuring, ii) liberalizing marketing and distribution channels, iii) improving agricultural and rural credit, and iv) reorienting Government assistance to the agriculture sector to support newly emerging private farmers. However, the political feasibility of agreeing on an agricultural reform program will be very difficult to accomplish in the current environment.