

- (1) Continuing to support the development of a market economy based on private sector initiatives;
- (2) Developing public sector institutions and procedures supportive of open and competitive markets and oriented towards the provision of physical, social, legal and institutional infrastructure;
- (3) Moderating the impact of the transition on socially vulnerable groups by supporting the development of a viable social safety net, maintaining social services and the infrastructure while improving the efficiency of social expenditures, and promoting more flexible labour markets; and
- (4) Establishing the Bank as a trusted and reliable development partner through the financing of high priority public sector investments and through policy advice on key economic and sectoral issues.

The Bank will endeavor to meet these objectives by adopting specific sectoral lending policies. These policies and strategies are outlined below by sector:

- (1) Infrastructure

Attempts will be made to promote sound investment decisions by ensuring adequate maintenance for existing infrastructure, encouraging cost recovery practices and developing institutional capacity of key institutions responsible for managing infrastructure programs.

- (2) Transportation

Projects currently under preparation in this sector include the rehabilitation of bridges on the national highway network and essential improvements in port facilities. The Government is considering a second highway rehabilitation loan for Siberia and the far East, as well as projects aimed at the improvement of transport infrastructure and at the rehabilitation of the system of regional airports.

- (3) Environment

The Russian Federation has inherited an enormously costly environmental legacy resulting from decades of inefficient economic development. The "Environmental Management Project" will address priority investments in targeted industrialized cities and regions, including the development of