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# IBRD/IDA Operations

## Introduction

The Russian Federation has undergone a number of major transformations since the disintegration of the former Soviet Union and the subsequent undertaking of market reforms in 1991. The largest privatization program in World Bank history has served to accomplish much in terms of the liberalization of prices and foreign exchange, as well as import and most export controls. In addition, the last four years have borne much progress towards the financial stabilization of the Russian economy and towards the establishment of the basic institutions of a democratic society.

Despite the encouraging progress, however, there are major challenges which remain to be overcome in upcoming years. The resumption of the financial stabilization program hinges on difficult political decisions regarding revenues and expenditures, as well as on key structural reforms which will severely test the ability of the Government to continue implementing its policies.

Russian authorities in general have finally begun to accept the importance of a vibrant private sector, the role of a market economy and the need for financial stability, as well as various other key concepts of the first few years of reform. Greater attention must now be focused on medium-term issues which must be resolved in order to sustain initial reforms, restore economic growth and begin to cope with the social costs of the transition process. The Bank's assistance program during the past three years emphasized the role of the newly-emerging private sector. While much more needs to be accomplished in this area, priorities will slowly shift towards impact assessment of reforms on socially vulnerable groups, and other agendas which have shown less progress or have been neglected.

## Country Assistance Strategy

Working with Russian government officials, the World Bank has outlined four specific objectives which will serve as the cornerstone of its Country Assistance Strategy over the next three years. The priorities that have been identified are as follows: