



Southern Federal District.

A Special Challenge

The Southern Federal District covers an area of 589,200 square kilometres (3.5% of the total Russian land mass) and has a population of 22.8 million (16% of the Russian total). The District is in second place among Russian federal districts by population density behind the Central Federal District.

The scale of socio-economic problems in the Southern Federal District (SFD) merits special attention from the MDGs standpoint. The District lags far behind the national average and takes last place measured by all main indicators, including per capita GRP, volume of capital investments, per capita cash income, and unemployment (Table 4.1). All the regions in the SFD receive

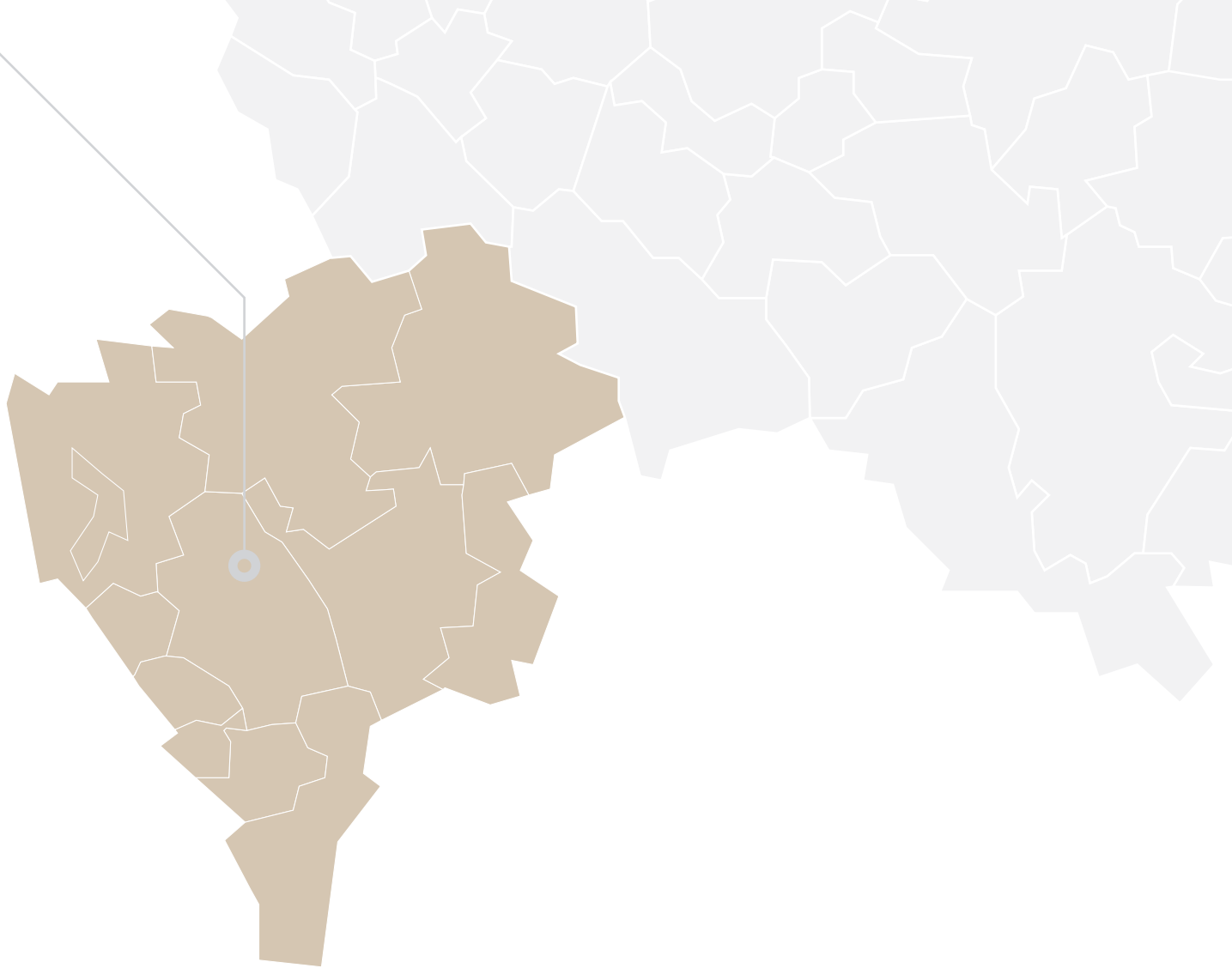
federal assistance: federal subsidies per capita are 3.5 times more in the South than in other Russian regions.

The 13 regions of the SFD can be divided into two groups based on overall socio-economic development and MDG indicators. The first (relatively favourable) group includes Astrakhan, Volgograd, and Rostov Regions, Krasnodar and Stavropol Territories. These five regions account for 83.5% of the district's aggregate GRP (2004) and 82.4% of aggregate capital investments (2005). But even the SFD leaders lag far behind the national average. Per capita GRP of these regions almost half the national average, while per capita incomes and per capita investment volumes are lower

Table 4.1

Comparative socio-economic development indicators

| | Per capita GRP, thousands of roubles (2004) | Unemployment rate, % (2005) | Per capita cash income, roubles (2005) | Per capita capital investments, thousands of roubles (2005) |
|----------------------------------|---|-----------------------------|--|---|
| Russian Federation | 102.0 | 7.6 | 7,854 | 24.6 |
| Southern Federal District | 50.0 | 14.2 | 5,250 | 13.5 |
| Southern Territories and Regions | 57.1 | 7.9 | 5,617 | 16.1 |
| Southern Ethnic Republics | 30.5 | 29.9 | 4,261 | 7.8 |



by a factor of 1.5. The socio-economic situation of one of the leaders of the Southern Federal District – Rostov Region – is described in Box 4.1.

The second group of regions includes the ethnic republics of the Southern Federal District (Adygea, Ingushetia, Kabardino-Balkaria, Kalmykia, Karachayevo-Cherkesia, Northern Osetia – Alania, and Chechnya), whose socio-economic development lags both the rest of Russia and neighbouring southern regions. The human development problems of three republics (Adygea, Chechnya and Dagestan) are illustrated in Boxes 4.2, 4.3 and 4.4. Per capita GRP and capital investments in the southern republics are less than a third of the national average, and per capita income is almost half the national average. A quarter of the economically active population of the republics is unemployed (Table 4.1).

One reason for the current situation is undoubtedly proximity of regions in the Southern Federal District to zones of military conflict and political unrest in the North Caucasus. This factor hampers economic activity and reduces appeal of North Caucasus republics to investors. However, an important role is also played by the existing economic structure, including the aftermath of the Soviet division of labour.

A distinguishing and determining factor of the Southern Federal District is its traditionally agricultural

economic profile. In 2004, agriculture accounted for 15.6% of GRP in southern regions, which is more than triple the national average (5.1%). Agriculture dominates GRP in all southern republics (except Adygea) and in Krasnodar Territory, accounting for as much as 30.6% of gross regional product in Kabardino-Balkaria. Agriculture remains the main source of formal employment in southern regions. In 2004, 19.0% of the District's working population was employed in the agrarian sector, which was almost double the national average (10.4%)¹. The existing structure is relatively stable: whereas the number of agricultural employees in Russia fell by 1.5 times over the period 1995–2004, this indicator remained virtually unchanged in the Southern Federal District and even grew slightly in 5 regions (Kabardino-Balkaria, Karachayevo-Cherkesia, Northern Osetia – Alania, and the Astrakhan and Rostov Regions).

The main social problems of the Southern Federal District – poverty, unemployment, and a low standard of living – have "rural" causes, arising from incomplete transition not only to a post-industrial economy but even to an industrial one. Cut-backs in centralized state investments in agriculture in the 1990s and simultaneous privatization of former collective farms (*kolkhozy*)

¹ The difference between territories and regions, and republics according to this indicator is not sufficient – 18.0 and 22.0 % respectively.



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and soviet farms (*sovkhozy*) along with rapid introduction of labour-substitution technologies by new farm owners led to rapid growth of unemployment (both visible and hidden), decline of living standards in rural areas, and degradation of social infrastructure that had previously been maintained by *kolkhozy* and *sovkhozy*.

Territories and regions that managed to preserve their former sources of growth and employment or find new alternative sources and to create institutional bases for development of small business and attraction of investments are the best off today. Ethnic republics have found themselves in a worse position, their development blocked by a range of special factors: natural population growth, unfavourable institutional environment (including high administrative barriers and low-quality governance at the regional and local levels), proximity to areas of armed conflict, and, as a result, low attractiveness for investors.

As a result, the ethnic republics of the Southern Federal District are experiencing levels of poverty and unemployment, which are unprecedented in Russia. According to criteria of the International Development Association (IDA), five of the southern ethnic republics rank as "low income" regions, while three (Adygea, Ingushetia, and Chechnya) rank as "low income – poorest" regions. Per capita income in Ingushetia, Russia's poorest region, is 2,231 roubles per month (first semester of 2006), which is about a quarter of the national average (8,724 roubles). The territories and regions of the SFD ranks as "low mid income" by IDA criteria. Even Volgograd, the best off region in the SFD, has per capita income almost a quarter below the national average (Figure 4.1).

It is worth noting, however, that any data on personal incomes in the Southern Federal District should be treated with caution due to the extremely high share

of the shadow sector in the local economy, particularly in the national republics of the North Caucasus, which limits reliability of government statistical data. As the Plenipotentiary Representative of the President of the RF in the Southern Federal District, Dmitry Kozak, said at a regional summit in early 2006: "By the most moderate estimates, damage caused by the shadow economy in the Southern Federal District is about 50 billion roubles (the profit made by shadow businesses) while the volume of federal support is only 47 billion roubles"².

Ratio of incomes of the richest 20% of the SFD population to the poorest 20% is roughly equal to the national average and approximately the same across different SFD regions. As would be expected, the highest reading of this inequality indicator is found in the most economically developed southern region (Krasnodar Territory) while the lowest reading (5.25) is in the poorest region (Ingushetia).

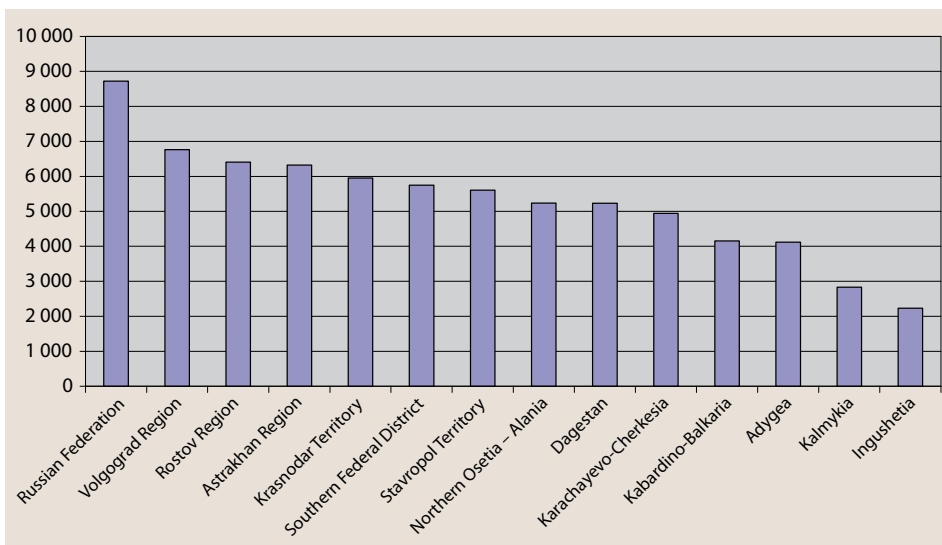
Difference in average personal incomes between the Southern Federal District and other regions of the Russian Federation has shrunk considerably in recent years, largely thanks to the federal policy of budgetary levelling. Per capita incomes in 1995 were only 65% of the national average in the District's territories and regions and 43% in the ethnic republics, but these indicators had risen to 71% and 50%, respectively, by 2004 (Figure 4.2). There was a major improvement in 2004-2005, after development of the Northern Caucasus was made into a state policy priority.

The share of the SFD population with incomes below the subsistence level also fell considerably in 2000-2005 (Figure 4.3). The only exception is Kalmykia, the sole ethnic republic in the Southern Federal District that does not belong geopolitically to the Northern Caucasus and that has consequently been overlooked to a certain extent by state target programs and international donors.

However, it remains to be seen whether these trends will be sustainable. Up to now, the positive changes have been due to transfers from the federal budget as part of the government's levelling policy rather than to qualitative changes in the regional economy, which is developing less rapidly than the Russian economy as a whole. For example, aggregate GRP of the Southern Federal District fell from 8.2% to 7.5% of aggregate GRP of the Russian Federation in the period from 1995 to 2004, and capital investments in the District as a share of aggregate capital investments

² Cited in the article "The Battle with a Shadow" published in *Severny Kavkaz* newspaper Jan. 31, 2006.

Figure 4.1. Per capita income in the first half of 2006, roubles



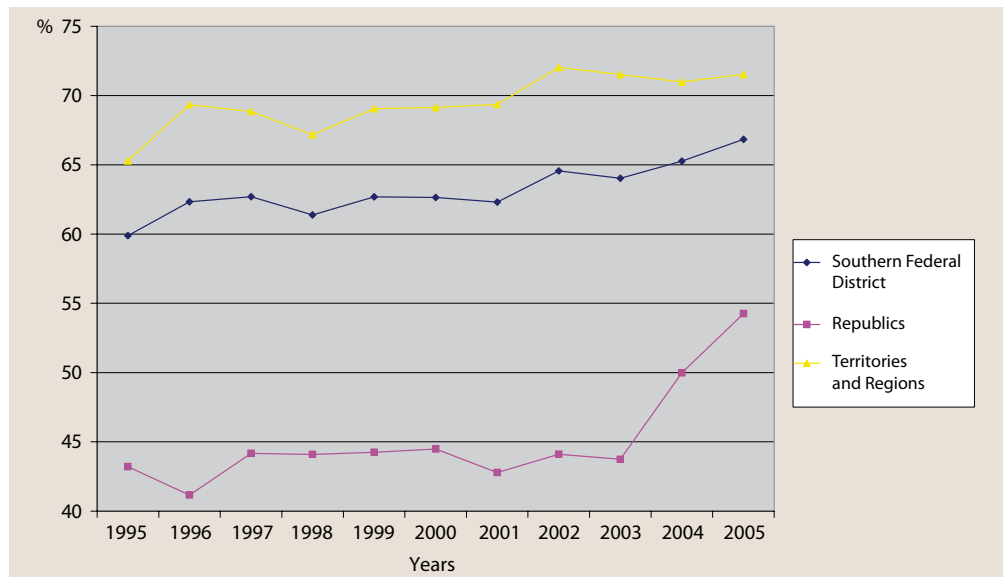
in the Russian Federation fell from 10% to 8.8%.

Labour markets in southern ethnic republics are too depressed to serve as a poverty reduction mechanism. For example, unemployment in Ingushetia reached an unprecedented level of 64.9% in 2005, compared with averages of 29.9% for southern republics and 7.9% for southern territories and regions. Whereas unemployment in the territories and regions is mostly structural, 97.3% of unemployment in the ethnic republics is simply due to lack of economic growth, which would be capable of creating jobs³.

Unemployment in the republics is predominantly rural. Up to 30% of the workforce in rural areas of the republics is unemployed, compared with 18% in urban areas, and over 60% of all those unemployed are in the countryside. Difference between rural and urban unemployment in the territories and regions is relatively small (3%), and their more urbanized economies mean that unemployment is mostly concentrated in towns. Unemployment in ethnic republics tends to be long-term. Over 60% of all those out of work in the republics are chronically unemployed, whereas the share of the chronically unemployed in territories and regions is only 34%.

Youth unemployment, which is singled out for attention by the MDGs, is much more of a problem in the Southern Federal District than anywhere else in Russia. The situation is particularly difficult in the ethnic republics, where young people experience serious problems finding their first job. In Ingushetia, virtually the entire population aged 15–24 years is unemployed: according to 2005 statistics, youth unemployment rate in the Republic is 93.7%. The situation in Dagestan and

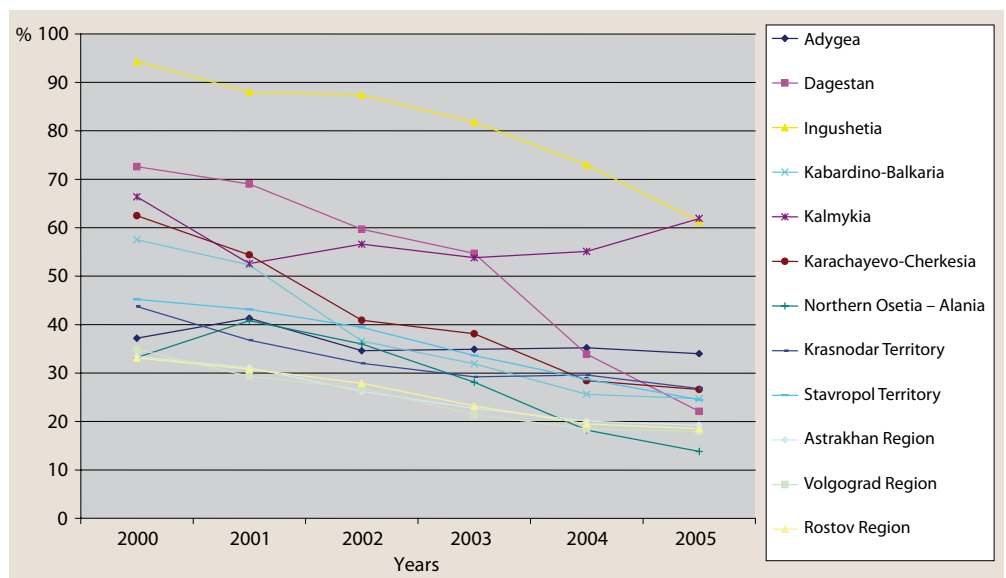
Figure 4.2. Percentage ratio of per capita money income in the Southern Federal District to the national average



Kabardino-Balkaria is also extremely difficult with youth unemployment rates in excess of 30%. Demography exacerbates the situation on the labour market: four SFD republics recorded natural population growth in the first half of 2006, with the highest figures in Chechnya (18.5 per 1,000 population), Ingushetia (10.7 per 1,000 population), and Dagestan (8 per 1,000 population).

One way of addressing problems of unemployment and poverty in the Northern Caucasus is to encourage labour migration and mobility, which are quite limited today (despite a widely held view to the contrary).

Figure 4.3. Percentage share of the population with incomes below subsistence level



³ Jan Rutkowski, *How to Increase the Number of Jobs and Enhance Their Quality: Prospects for the Southern Federal District (in Russian)*. World Bank Analytical Note, 2006.



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According to a World Bank study, the 10 Russian regions with the highest share of labour migrants in families include only two regions from the Southern Federal District – Dagestan and Rostov, which rank third and eighth, respectively².

MDGs indicators relating to child and maternal health (infant, child, and maternal mortality) are close to the national average in most southern regions. This is largely a result of the District's relatively favourable climate. The region with the worst infant mortality rate in recent years has been Ingushetia: 24 per 1,000 live-born children in 2005 (Figure 4.4).

The Southern Federal District traditionally has a lower abortion rate than any other part of the Russian Federation. There were 76 abortions per 100 births in the SFD in 2004, compared with 122 abortions per 100 births in Russia as a whole. The number of abortions is very small in republics of the Northern Caucasus: 13 per 100 births in Ingushetia and 29 in Dagestan. One can give various explanations of the situation – to begin with culture, religion and traditions of the society and to finish with the incompleteness of the statistical data.

The under-five mortality rate is a good indicator of the state of a public health system and only the Siberian and Far Eastern Districts, where climatic conditions are a lot worse, have higher under-five mortality than the SFD. Ingushetia stands out by this indicator with 28.2 under-five deaths per 1,000 – 2.5 times more than the national average.

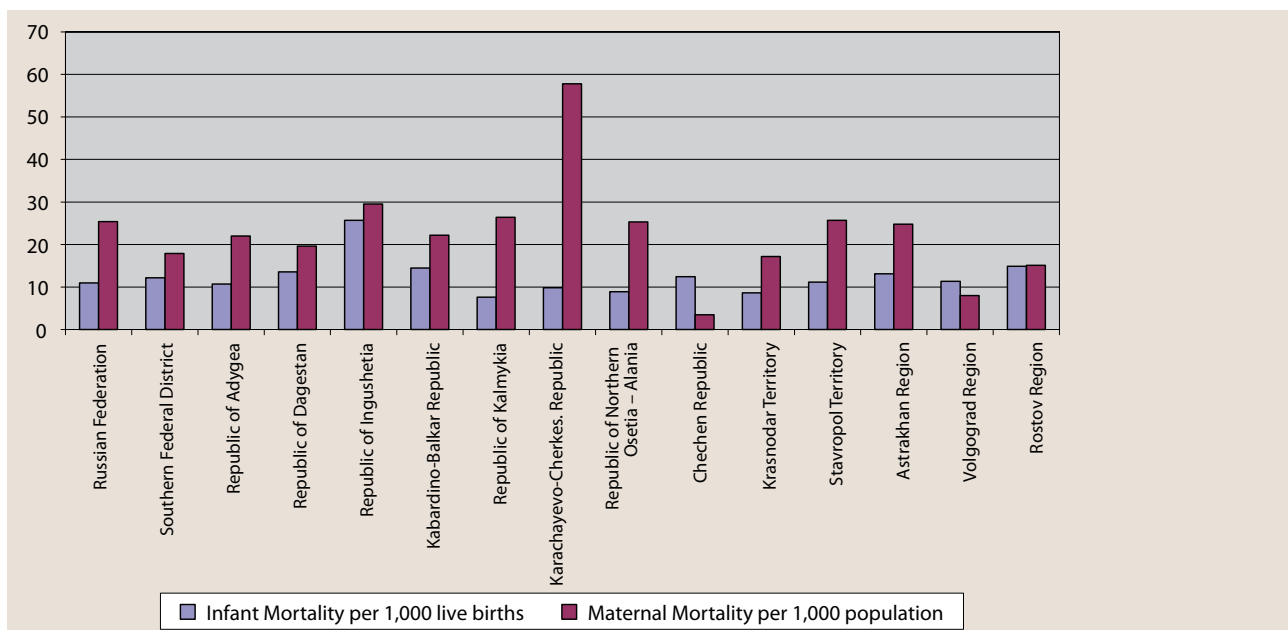
Levels of social disease (HIV and tuberculosis) indirectly confirm that the Southern Federal District has

serious problems in its public health system. Prevalence of active tuberculosis is lower in the District than in Russia as a whole (75.5 and 84.0 per 100,000 population, respectively), but this is unsurprising given the favourable climate and a relatively more rational attitude towards health. Meanwhile, the tuberculosis mortality rate is higher than the national average (23.3 as opposed to 22.5). The SFD has the worst ratio in Russia of active tuberculosis to tuberculosis mortality. The problem of tuberculosis is most acute in Kalmykia and Volgograd Region, which have prevalence rates of 130.0 and 115.0 per 100,000 respectively, and in Astrakhan Region, where the mortality rate is nearly half of the prevalence rate (41.7 and 88.4, respectively) (Figure 4.5).

HIV/AIDS is more prevalent in the regions of the SFD, led by Volgograd Region, Krasnodar Territory, and Rostov Region. According to statistics of the Federal AIDS Centre at the end of September 2005, the number of HIV-positive individuals per 100,000 population has reached 171.4, 99.6 and 70.9 in these regions. In ethnic republics, the number of HIV-positive individuals is insignificant by Russian standards, which can once again be explained by traditional lifestyles.

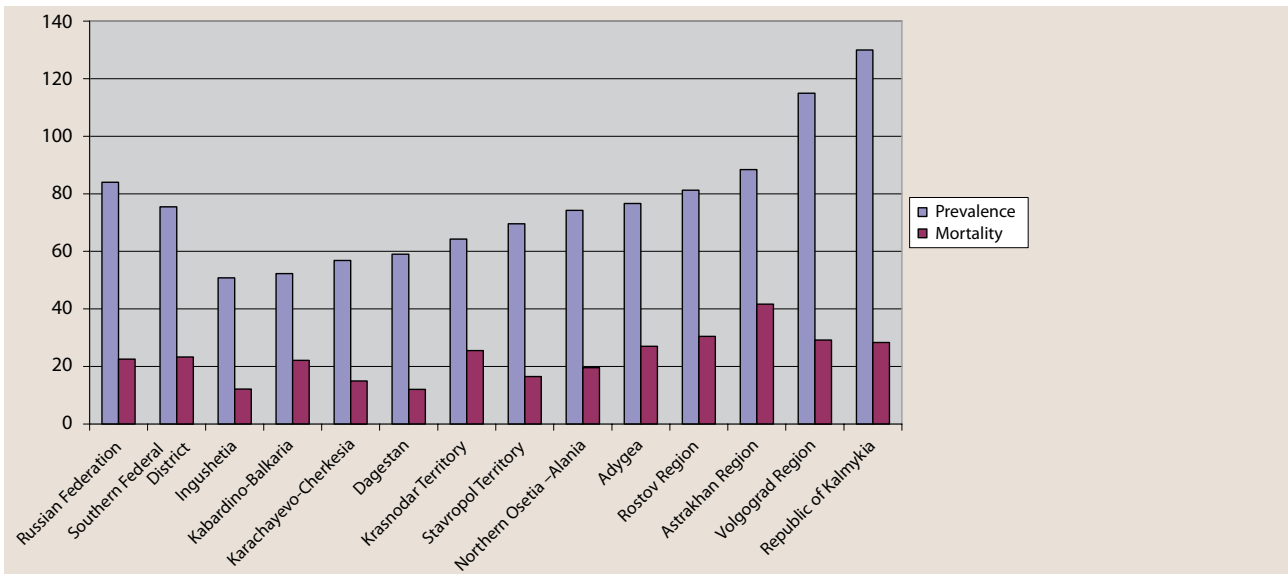
Public health indicators depend to a large extent on living conditions, particularly as reflected in infrastructure and environment indicators. The Southern Federal District has serious residential infrastructure problems and is second worst off in Russia, measured by the share of housing with mains water and sewerage (only the Siberian Federal District has worse figures). The situation is particularly difficult in Kalmykia and Dagestan, where only 44.3% and

Figure 4.4. Infant and maternal mortality rates



⁴ I. Denisova and N. Mkrtychian, *Labour Migration in the Southern Federal District of the Russian Federation* (in Russian). Analytical Report Prepared for the World Bank, 2006.

Figure 4.5. Active tuberculosis prevalence and mortality rates per 100,000 in 2005



49.9% of housing is connected to mains water (2005 statistics). In Ingushetia only 43.2% of total residential housing (measured by floor space) has sewage systems, and in Dagestan this indicator is even lower (40.1%).

The state of the environment in the Southern Federal District is fairly good compared with other Russian regions. The main environmental problems are pollution of drainage water in the Northern Caucasus and Lower Volga areas. The situation in the Chechen Republic is particularly alarming: there has been extensive pollution by oil and oil products as the conflict in the Republic has dragged on, and no environmental counter measures have been taken. This situation has been caused by the primitive and informal nature of much oil production and refining in the Republic. According to the Centre for Strategic Research, surface and ground water, soil, and the atmosphere continue to suffer pollution from oil combustion, evaporation, and refining, and from leaks at small oil and condensate refining plants located in or close to settlements.

Another group of MDG indicators measure gender differences. In the Southern Federal District, difference in life expectancies of men and women was 11.78 years in 2004, somewhat lower than the national average of 13.41 years. As in the rest of Russia, men in the SFD are more economically active: 68.1% of men compared with 57.6% women. However, male and female unemployment rates are practically equal at 11.6% and 11.7%, respectively. Political representation of women in republics of the Northern Caucasus is very low, mostly due to local traditions.

Global partnership, which is dealt with by another group of MDG indicators, has particular importance in the Northern Caucasus. For a number of reasons, the Northern Caucasus remains economically closed, marked by high administrative barriers for outsiders, monopolization of regional and local markets, and a low volume of outside investments. Improving the invest-

ment climate, stimulating labour mobility, and lowering administrative barriers have key importance for attainment of MDGs in the SFD. Coordinating the efforts of international donors, Russian government, and NCOs for solving post-conflict problems and assuring sustainable long-term development is of vital importance in Chechnya, Ingushetia, and Dagestan.

To date, state-funded socio-economic development programs in the SFD (notably the "South of Russia" Federal Target Program) have been limited to major centralized investments in infrastructure: building and repairing roads, airports, and tourist centres. These financial investments should raise competitiveness of regional economies in the medium term and help points of growth to emerge. However, in the short term, these measures have a limited group of direct beneficiaries and create few new jobs. Positive impact of state programs may be seen in the future, but they do little to alleviate current problems of unemployment, poverty, and low living standards. There is a continued failure to address the key problems of the Northern Caucasus – calming the political situation and creating a productive dialogue between government and ordinary people.

For attainment of Millennium Development Goals in the Southern Federal District, large-scale investment projects will have to be supplemented with measures to promote institutional development. These measures should aim to increase transparency in management and spending of government funds at local level (by involving local people in resolution of socio-economic problems and in self-government), to create a favourable environment for development of small business as the main source of employment, to lower administrative barriers and legalize the region's economy (enabling consolidation of the tax base and establishment of effective budgetary relations), and to create conditions for improving labour mobility and developing human resources.



Box 4.1. MDGs in Rostov Region

Rostov Region has an above-average share of urban dwellers and better levels of demographic, economic, scientific, and educational potential than other regions in the Southern Federal District. Nearly a quarter of the population live in the city of Rostov, which has over one million inhabitants, and 65% of the population live in agglomerations, consisting of Rostov, Shakhty and the urbanized territories around them (the Shakhty agglomeration consists of towns and settlements, whose economy is entirely geared to coal mining). Ongoing natural population decline has been exacerbated by migratory outflow since 1995.

Rostov is a mixed industrial and agrarian region with an extensive rural periphery. The slump of the 1990s was followed by strong post-crisis economic growth. But steady growth of industrial production, per capita income, and the consumer market have been accompanied by increasing socio-economic inequality. Despite growth of incomes, the regional budget remains dependent on subsidies: a third of budget revenues consist of non-repayable allocations by the federal government. Per capita budget revenues are low, and per capita incomes are half the national average, which limits improvements in quality of life.

Goal 1. Eradicate Extreme Poverty

The poverty rate in Rostov Region fell from 33% to 18.5% during the years of economic growth. Although regional statistics do not measure the share of inhabitants with incomes below half the subsistence level (i.e. those in extreme poverty), it can be calculated from the distribution of inhabitants according to per capita money incomes. The extreme poverty rate has steadily fallen since 2000 (Table 4.2).

gle set of qualifying rules and list of required documents for receiving subsidies has been designed, and a unified database of recipients has been established. People defined as "in difficult circumstances" remain the largest group of welfare recipients. Housing subsidies are paid to 257,000 families, or 16% of all families in the Region.

Regional authorities are trying to stimulate income growth by encouraging declaration of wage payment and social responsibility of business. Tripartite agreements to ensure payment of salaries above the subsistence level have been implemented for several years, and are signed by the regional government and 80% of regional companies. Budget assistance is also provided to farms, which are threatened with bankruptcy. However, rural districts remain particularly problematic, often paying official monthly salaries of just 700–800 roubles (about USD 30). Many company managers are reluctant to declare salaries, making it difficult to achieve accurate estimate of the poverty rate and to provide assistance to the poor.

Goal 2. Ensure Access to Education

A quarter of people in Rostov Region are in education or closely connected with the education system, including over 910,000 students and schoolchildren, of whom 90,000 are full-time students at higher educational establishments and 125,000 are students in primary and secondary professional educational establishments. An 8.8% share of the working population are involved in education, but employment in education has been declining in recent years more rapidly than in the rest of the Southern Federal District and in contrast with a more stable situation in the rest of Russia.

Table 4.2
Number and share of people with incomes below half the subsistence level

| | 2001 | 2003 | 2004 |
|---|-------|-------|-------|
| Number of people with incomes below half the subsistence level, thousands | 387.8 | 198.2 | 113.7 |
| Share of people with incomes below half the subsistence level, % | 8.7 | 4.5 | 2.6 |

Although income polarization in Rostov Region is below the national average at present, it is growing rapidly, since incomes of the poorest groups are increasing more slowly than those of the best-off. The share of the poorest 20% in total personal incomes fell from 6.8% to 6.1% in 2001–2004, and the poorest 10% had only 2.1% of total income in 2004 (2.4% in 2003), while the richest 10% had 29.4% (27.6% in 2003). The ratio of per capita incomes of the richest and poorest 10% of the population was 14.1 in 2004 and 11.7 in 2003.

Different methods are being applied to reduce poverty in the Region. Welfare assistance is provided in accordance with the regional law "On targeted social assistance to the poor in Rostov Region". 120,500 social subsidies with total value of 86.1 million roubles were allocated in 2004. A sin-

Large declines in the birth rate have led to halving in the number of pre-school establishments since 1985 (compared with a decline of 1.5 times in the country as a whole), and the number of young children enrolled has decreased by 2.5 times (compared with 2.2 times in Russian as a whole). Only 28.6% of children in rural areas attend kindergartens, due both to socio-economic factors and limited access. Since 1995, the number of kindergartens has fallen by 1.4 times in towns and 1.8 times in rural areas.

The demographic slump has had major impact on school education since 1998. The school network has been shrinking, particularly in rural areas (by 13.5% since 1995). Over 25% of the rural population in Rostov Region lacks access to pre-school and school facilities in their immediate locality.

Box 4.1. MDGs in Rostov Region (continued)

Goal 3. Promote Gender Equality and Empower Women

In the Rostov Region, as elsewhere in Russia, women tend to be employed in low-paid sectors such as public health, education, and culture, although they also have a large share of jobs in finance, credit and insurance (75–85% of all employees). The construction sector has the lowest share of women employees (28%). The share of women working in unhealthy or dangerous conditions is increasing, and over half of such jobs (57%) are occupied by women of childbearing age.

Female unemployment is a significant problem, despite the higher educational level of women: women with higher and secondary professional education account for 68% of all unemployed women. Finding a job is particularly difficult for single women, women with many children, and women with disabled or pre-school children. Female graduates of higher educational establishments also have trouble finding work. Surveys by the "Women of the Don" Association show that women with children below the age of five years and women older than 40 years are most at risk of employment discrimination. The Presidential Representative in the Southern Federal District has proposed paying the annual unemployment allowance in a lump sum instead of monthly instalments provided that the unemployed individual uses the cash to start his or her own business. Government is hopeful that this may help to reduce unemployment and promote development of small business.

Combating unemployment among women is a key area of joint work between women's organizations and regional government. The Human Rights Commission of the Governor of the Rostov Region includes two women representatives from women's NGOs. A Rostov Region NGO – the Afina Information Centre – publishes the human-rights newspaper *Women's Parliament* and an actual women's parliament has been active in Taganrog since 1998.

Women have difficulty in rising to decision-making levels. According to the Regional State Statistics Committee, there are no female heads of large enterprises and organizations (defined as having over 4,000 staff). According to Women of the Don, men hold 87.5% of "senior" and 60.6% of "top" jobs, while women predominate in lower management posts. Women are most strongly represented at lower levels of the civil service (69–88% of jobs). However, the number of women in regional executive government is increasing: they already account for 44% of deputy regional heads, committee chairpersons, and heads of departments.

Women are the minority in the Rostov regional parliament. No more than seven women (out of 104 deputies) have been returned in all elections to the parliament, and most of them were elected for one term only. There are currently three women deputies in the regional parliament, one of whom was returned from a Rostov city constituency and two from regional districts. However, women head over 50% of NGOs (of which there are over 3,000 in the Region), reflecting the focus of many NGOs on gender issues. The

Rostov regional department of the "Women's Leadership and Partnership" interregional NGO is coordinating an inter-regional project to introduce gender aspects into regional legislation. In 2002, procedural rules of the Rostov regional parliament were amended to require gender assessments of draft bills and participation of a gender expert with advisory capacities in consideration of draft bills.

Government tends to view women as a socially vulnerable group. Regional women's organizations say that a regional programme for improving the status of women, to be implemented in 2001–2005, fails to meet international standards: it has a patriarchal/paternalistic character (strong approval of families with many children, organization of family festivals, Mother's Day, etc.), and fails to support women's small business or events aimed at changing the attitude of professional communities (police, lawyers, social workers, doctors, etc.) towards the problem of family violence. These tasks tend to be left to advocacy of NGOs in Rostov Region.

Goals 4 and 5. Reduce Child Mortality and Improve Maternal Health

Infant and child mortality in Rostov Region are a third higher than the national average, although they fell considerably over the period 2000–2004. The main causes of mortality in the first year of life are complications in the perinatal period (67.4 per 10,000 live births), followed by congenital anomalies (developmental defects, 23.8 per 10,000) and infections and parasitic diseases (20.6). Mortality rates from the first two causes have gradually declined in 2000–2004 (by 30% and 42%, respectively), but mortality from infections and parasitic diseases was higher in 2004–2005 than in 1999. Reduction of child mortality depends on the availability of equipment and organizational efforts by medical services. In 2004, the Rostov Health Ministry set up 10 interregional neonatal centres and intensive care centres for newborn and premature children at regional hospitals and provided them with the latest equipment. The paediatric department for premature children at Rostov City Hospital serves the city and the Region. A system of support for premature children has been set up in the Region, including consultations with specialists at the local maternity hospital, transport, examinations, and care.

In early 2006, a medical and genetic consulting service was opened at the Rostov Clinical Hospital, which will make such diagnostic methods more accessible. Screening of newborn children for five hereditary diseases, which can lead to disability, will be initiated in 2007 as part of the national programme for improvements to the health system.

Maternal mortality in Rostov Region only began to decline in 2002–2003 (Table 4.3). Improvements were due to introduction of standards for treatment and diagnostic work in obstetrics and gynaecology from 2002 and of standards in obstetric anaesthesiology and intensive care from 2004, as well as general implementation of standards for care of women in labour. As a result the number of obstetric haemorrhages and birth traumas fell from 832 in 2002 to 619 in 2004 and from 20



Box 4.1. MDGs in Rostov Region *(continued)*

Table 4.3

Mortality among women in Rostov Region from complications during pregnancy, delivery and the post-natal period

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--------------------------------|------|------|------|------|------|------|
| Total deaths | 15 | 20 | 23 | 8 | 9 | 5 |
| Deaths per 100,000 live births | 44.9 | 56.2 | 63.3 | 20.6 | 22.2 | 12.1 |

to 5, respectively, and the share of normal deliveries increased from 24.8% in 2002 to 35.5% in 2004. Pregnant women in the high-risk group are transferred to inter-territorial and regional obstetric hospitals when labour is imminent.

Regular examinations of pregnant women from the early stages of pregnancy can help to prevent complications during pregnancy and delivery. The proportion of women in the Region who start to consult a doctor before the 12th week of pregnancy is growing (from 70.8% in 2002 to 74.9% in 2004).

Goal 6. Combat HIV/AIDS and Tuberculosis

Success in combating and preventing tuberculosis is still hindered by failure to detect the illness in its early stages. Like other regions of the Southern Federal District, Rostov Region has a shortage of mobile photofluorographic units and modern X-ray equipment. More bacteriological equipment, hospital rooms, and doctors are also needed, and up to a third of specialists require retraining. Due to these problems, prevalence of active tuberculosis is continuing to grow in the Region (Table 4.4), although incidence of tuberculosis among children has been stabilized.

which deplete the soil. There are also problems with extensive industrial pollution in the Eastern Donbass.

Maintaining and expanding forest areas is very important for Rostov Region, which is located in the steppe zone. Only 2.2% of the region is now forested, fires and illegal logging are causing further losses and hardly any large-scale forestation is being carried out (such work decreased by a factor of five over the period 1999–2004). Green areas in the Region's towns are very limited. There are only 4.5 hectares of park land in the city of Rostov, which should have 26 hectares. Housing developments have appeared in forest areas, particularly around Rostov, despite laws, which forbid such developments. Transfer of forest management to the local level may reduce control over forest maintenance, with regrettable effects.

The quality of housing infrastructure in the region is below the national average. Only 62% of houses are connected to sewage systems, compared with a national average of 71%. Although all regional towns and 86% of settlements have sewage systems, they are absent in most rural districts. The share of housing connected to mains water is growing

Table 4.4

First-time active tuberculosis prevalence in Rostov Region

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|-------|-------|-------|-------|-------|-------|
| Total number of infected individuals | 2,913 | 3,196 | 3,251 | 3,432 | 3,487 | 3,622 |
| Per 100,000 people | 65.2 | 71.9 | 73.4 | 77.9 | 79.6 | 83.3 |
| Number of those infected who suffer from tuberculosis of the respiratory organs | 2,844 | 3,099 | 3,180 | 3,336 | 3,404 | 3,554 |
| Per 100,000 people | 63.7 | 69.7 | 71.8 | 75.7 | 77.7 | 81.7 |

A federal target programme of urgent measure to combat tuberculosis is being implemented in Rostov Region, and steps are being taken at the regional level for supplying patients with anti-tuberculosis drugs, integrated drug therapy, and proper diets. Construction of an anti-tuberculosis clinic is being completed and 1,329 individuals were treated free of charge in specialized tuberculosis sanatoria in 2004. However, no real breakthrough in treatment of tuberculosis has been achieved to far.

Goal 7. Ensure Environmental Sustainability

Main environmental issues in Rostov Region (as in Southern Russia as a whole) are the arid climate and resulting water shortages, as well as declining oil fertility. About 57% of the Region is farmland (Stavropol Territory, with 60% farmland, is the only southern region with a higher indicator). Rostov Region is mostly planted with cereal crops and sunflowers,

slowly (from 66% to 68% over the period 1999–2004). Only 58% of rural settlements have mains water, but the figure in 1999 was 32%, so there is a strong positive trend. In certain regional towns (Zverevo, Shakhty), water is only available at certain times of day, particularly in summertime. Water does not reach the upper storeys of buildings in certain districts of the towns of Gukovo, Taganrog, and Krasny Sulin. Mains water distribution in many of the Region's towns is dilapidated (depreciation levels are as high as 60%), leading to major losses of water and heat.

The Region has considerable experience of projects to improve water supply. Rostov received EBRD loans on favourable terms for this purpose in 1997–2003, and implementation of a second water project began in 2005. The Region is participating in the federal programme "Urban Water Supply and Sanitation", which should reduce energy spending at water treatment enterprises.

Box 4.1. MDGs in Rostov Region *(continued)*

A new approach has been found to organization of the water supply network in the city of Rostov, where a commercial firm, Eurasian Water Partnership (EWP), has agreed with Rostov City Hall to manage the network and to invest about 10 billion roubles in its development, providing a reliable water supply system for a large part of the city, reducing water losses, and creating necessary infrastructure for new residential construction. The regional government has set water tariffs for five years in advance to ensure stable and predictable conditions for investors. In the longer term EWP and the regional administration plan to renew the entire water supply system in the Rostov agglomeration, possibly using funds from the Federal Stabilization Fund. According to representatives of the Ministry of Regional Development of the Russian Federation, the reconstruction will proceed much more quickly than is usual in Russia, and the methods may be duplicated in other regions. In particular, water supply problems in depressed mining towns of the Eastern Donbass will be addressed by the company Don Water Supplies South together with a Swiss bank. The regional government said in 2005 that it would ensure mains water supplies to all rural settlements in the Region. However, it has now been decided to concentrate investments in 5 pilot districts for the time being.

The largest water project to date is commissioning of an effluent collector in Rostov city at cost of 2 billion roubles. The collector replaced dilapidated sewage facilities and will gather and treat wastewater from about half of the city, including 40 industrial enterprises. The new collector will give considerable environmental improvements and provide infrastructure for construction of an entirely new district in the city.

Goal 8. Participate in a Global Partnership

This MDG puts much emphasis on youth employment. Unemployment in Rostov Region is high among the overall population (9.6% in 2005) and particularly high among people under 25 years of age (17%). There is a sectoral and geographical mismatch between demand and supply, with shortage of qualified workers, low labour force mobility, and lack of salary incentives. About 40% of students at vocational training establishments are unable to find work after graduation, so a better match between the education system and labour market is a clear prerequisite for increasing youth employment.

After financing of technical colleges was transferred to regional administrations in 2006, the Rostov regional government allocated 0.5 billion roubles for equipping such colleges with modern workstations and equipment. Regional government also carries responsibility for developing labour market infrastructure and carrying out awareness work among young people. This is the purpose of the "First Job" regional programme, which aims to help up to 500 young people per year to find permanent work. A practice of direct agreements is being developed between enterprises and educational establishments for training specialists, with enterprises carrying a part of the cost. In 2006, a system of regional orders was created for training specialists at educational establishments, and corresponding agreements will be concluded between the establishments and enterprises. In 2004, over 190 individuals aged 18–29 years started their own businesses with the help of the employment service. Special programmes are being implemented to help insert the unemployed into the labour market, including "job clubs" and "new start" courses. These programmes have had a success rate of 68% to date.

Box 4.2. MDGs in Republic of Adygea

The Republic of Adygea is one of the least developed subjects of the Russian Federation. Its per capita GRP is only a third of the national average, and the rate of GRP increase during the period of economic growth was three times lower than in the country as a whole. Over 50% of the Republic's budget revenues consist of federal government subsidies, so that federal financing determines the Republic's human development policy to a large extent. Over half of enterprises in key sectors are loss-making. Lack of investment resources hinders development of the tourist industry, which could use the Republic's unique natural endowments to support the regional economy. The economic slump in key economic sectors during the 1990s and weak rates of growth since then have kept socio-economic indicators at low levels. Wages (at least, registered wages) remain low and are often not paid on time, and the rate and duration of unemployment has begun to grow once again, particularly in rural areas.

Adygea has seen a natural population decline since 1992, which has not been characteristic of other Northern Caucasian republics to date. In 2005, the permanent population fell by 1,400 (0.3%), and migratory inflow compensated only a fourth of population loss.

Goal 1. Reduce Extreme Poverty

MDG indicators in Adygea confirm the need for more determined public and civil efforts to combat poverty. However, although official poverty indicators in the republic are quite high, international studies using independent methods (including a poverty assessment in Russia by the World Bank) suggest that the official figures are largely falsified by failure to take account of the highly developed black market economy, which offsets the underdeveloped labour market. The black market supplements household incomes, and volume of turnover of goods and commercial



Box 4.2. MDGs in Republic of Adygea (continued)

services suggests that poverty is in fact not deep for most households.

Nevertheless, a proper labour market always plays a key role in poverty reduction and the inadequate state of the Republic's labour market reflects overall weakness of the economy, low investment attractiveness, and underdeveloped institutions of the labour market itself. Low declared salaries and periodic salary arrears make the formal labour market inefficient as a poverty reduction mechanism. An exception is employment in the public sector: although public sector employments is, to a large extent, not economically viable, the salaries paid for such employment operate as a form of welfare, providing some stability and security and taking some of the burden off the labour market and employment centres.

Hazy economic development prospects and the large number of loss-making and unviable enterprises limits the volume and quality of labour, which is needed in the Republic, and there has been an outflow of highly qualified labour (a "washing out" of more professional workers). This is a problem for more highly educated people, but also for young people in general, and it is undermining quality of human resources in the Republic. Unemployment tends to be long in duration and a stratum of chronically unemployed people has emerged, particularly in rural districts. Overcoming chronic unemployment is a difficult task, even in conditions of economic growth, which has not been sustainable so far. Household plots and the informal economy are the only means of subsistence for these people (Table 4.5).

Goal 3. Promote Gender Equality

As an agrarian Republic with underdeveloped industry, Adygea has relatively low gender wage differential. Nevertheless, in a opinion poll of women inhabitants of the

republic, 55% of women said that gender wage discrimination exists. The overwhelming majority of women in the Republic (79%, including a majority of women in high-income groups) believe that, over the past 10 years, it has become more difficult for women to hold senior positions.

Women hold 13% of seats in the new republican parliament that was elected in 2006. The republican minister of finances and the chairperson of the Maikop city parliament are women. The number of women among civil servants in regional and municipal governmental bodies, regional departments of federal executive governmental bodies, judicial bodies, and public prosecutor's offices is 1.3–1.9 higher than the number of men, but this is mostly due to a high share of women in junior and mid-level posts, which is also characteristic of the rest of Russia.

Respondents in the poll of women in the Republic said that politics has the least gender parity of any part of social life. This seems to reflect a conviction that financial and administrative resources, which play such an important part in a successful political career, are mostly concentrated in the hands of men (Table 4.6).

Goals 4–5. Reduce Maternal and Under-Five Mortality Rates

Although child mortality indicators fluctuate, they have been lower, on the whole, than the national average and the average in the Southern Federal District, with the exception of 2004. By 2005, infant mortality had fallen to 10.7 per 1,000 live births and under-five mortality to 13.4 per 1,000 children in this age group. It will be difficult to reduce infant mortality further, since 82.3% of infant deaths are due to congenital anomalies and complications, originating in the perinatal period. Their prevention requires introduction of effective perinatal

Table 4.5.

Social differentiation in the Republic of Adygea in 2004

| Percentage share of quintiles in money income | | | | | Gini Coefficient | Funds Coefficient (income of richest 10% to poorest 10%) |
|---|--------|-------|--------|-------|------------------|--|
| First | Second | Third | Fourth | Fifth | | |
| 7.1 | 11.9 | 16.6 | 23.1 | 41.3 | 0.340 | 9.4 |

Table 4.6.

Views of women in Adygea on gender equality, % of respondents

| | Equal rights | Men have greater rights | Women have greater rights | Don't know |
|----------------------------------|--------------|-------------------------|---------------------------|------------|
| Getting a professional education | 71.8 | 17.1 | 0.9 | 10.3 |
| Finding work in your profession | 31.7 | 57.8 | 1.4 | 9.2 |
| Finding work in general | 35.2 | 52.5 | 1.3 | 11.0 |
| Wages | 29.3 | 55.0 | 1.2 | 14.4 |
| Attitude of government bodies | 37.3 | 23.6 | 4.6 | 34.5 |
| Participation in social life | 47.4 | 27.3 | 3.3 | 22.0 |
| Participation in political life | 24.9 | 52.7 | 0.7 | 21.7 |

Box 4.2. MDGs in Republic of Adygea (continued)

diagnostic technologies and the creation of an expensive intensive care unit. So attainment of this MDG depends in large part on economic development in Adygea.

Maternal mortality in the Republic of Adygea has remained at a low level of 22–24 deaths per 100,000 live births in recent years, which is below the national average, and the trend (if any) is downwards.

Goal 6. Combat HIV/AIDS, Tuberculosis and Other Social Diseases

Although tuberculosis prevalence in Adygea is relatively low, it is tending to increase: in 2005, the active tuberculosis prevalence rate was 77 individuals per 100,000 population, which is 1.5 times higher than in 2002. The highest tuberculosis prevalence rates in the Republic are found in the Koshekhablsky and Giaginsky Districts (over 100 and 94 per 100,000 population, respectively). Prevalence of tuberculosis among children grew from 3.64 to 4.85 per 100,000 in the period 2002–2003 alone. The tuberculosis mortality rate is also growing: it increased by a third in 2002–2005, reaching 27.1 per 100,000 population, which is higher than the national average. Such figures make importance of this MDG for Adygea obvious.

Migratory processes are among the factors causing worsening of the tuberculosis situation in Adygea: 59% of migrants suffering from tuberculosis, who have come to live in the Republic, were infected with bacillary tuberculosis. Early detection of tuberculosis has become more problematic: the share of people undergoing photofluorographic testing fell from 40% in 2002 to 37% in 2003. The lowest share of inhabitants undergoing photofluorographic tests was found in the Koshekhablsky District (29%), which is also the district with the worst tuberculosis rates. Clearly, attainment of this MDG depends on general improvement in socio-economic conditions in Adygea and in the regions, from where the bulk of immigrants are arriving, as well as improvements in the prison system, which is one of the main sources of tuberculosis.

Goal 7. Ensure Environmental Sustainability

Environmental sustainability in Adygea has various aspects. On the one hand, favourable natural and climatic conditions and relative absence of industry make for a healthy environment. On the other hand, some negative trends have emerged in the past decade and there are a number of specific threats.

Over a third of the Republic of Adygea consists of protected natural areas, and 14% of them are on the World Natural Heritage list. Forests cover 23.4% of the Republic and official statistics show this indicator to be rising. However, the real state of forests in Adygea is less favourable. According to the Western Caucasus Socio-Environmental Association, mass logging has been practised over a long period in areas of Adygea where it is officially prohibited, and endangered species are among the trees, which have been felled. Some of the affected territories also have highly sensitive water resources. In particular, the Chernogorye mountain range protects water supplies in Maikopsky and Apsheronsky Districts.

The environmental situation was aggravated in 2006 by plans to build a new Trans-Caucasian highway. The choice is likely to be between two routes, and the Adygea

government has expressed preference for a route between Cherkessk, Psebai, Dakhovskaya, Lagonaki Plateau, Solokh-Aul and Dagomys. However, environmentalists say that the construction of a highway along either of the priority routes is unacceptable, since it would lead to economic development of vast territories in the Caucasian Biosphere Reserve and the West Caucasus (the latter figures on the World Natural Heritage list).

Indicators for provision to housing of mains water (68%) and sewage disposal (60%) are 3–5 percentage points below average values in the Southern Federal District and inferior to figures for Krasnodar Territory and the three most developed republics of the North Caucasus. The share of urban housing connected to mains water (79%) is the lowest in the Southern Federal District, while Ingushetia and Dagestan are the only SFD subjects with worse indicators for connection of housing to sewage systems (71%). Respective indicators for rural housing (55% and 48%) are above national and SFD averages, although lower than indicators in Krasnodar and Stavropol Territories, in the three most developed North Caucasian republics and in Ingushetia. There was no expansion of mains water and sewage connections in 2002–2003, so improvement looks improbable in the near future.

The share of housing in Adygea in a poor or dangerous state of repair is only 1.2%, which is better than any republic in the North Caucasus except for Karachayevo-Cherkesia. Resettlement from dilapidated housing is at the expense of federal, republican, and local governments. First funds from the federal programme for replacement of dilapidated housing were allocated to Adygea in 2005 (four years behind schedule), and only 30% of the promised amount was paid.

Goal 8. Participate in a Global Partnership for Development

Cellular communications make the biggest contribution to attainment of this goal in Adygea. Whereas the number of telephone lines per 1,000 population increased by 1.3 times in the five years from 2000 to 2004 (from 177 to 288 in towns and from 62 to 80 in villages), the number of cellular subscribers per 1,000 population grew by 130 times in just three years, from 2002 to 2004 (from 6.5 to 886).

Internet access is also expanding in the Republic: the 2006 development strategy for the city of Maikop calls for installation of public Internet access points in 13 post offices in the capital. Also in 2006 the Maikop city administration created a page on its web site for online interaction with the general public in Adygea.

Attainment of the MDGs, which have priority for the Republic of Adygea, depend on accomplishment of two interconnected key tasks: first of all, revival of industry and creation of sustainable, decently paid jobs; and, secondly, an effective social policy. MDG attainment, including the priority goal of eradicating poverty, require good-quality governance and co-opting of local communities as a genuine force that can contribute to resolution of everyday problems in the Republic.



Box 4.3. Human Development Problems in the Chechen Republic

Current socio-economic conditions in the Chechen Republic are difficult. Economic backwardness is aggravated by poor development of the market economy, low per capita purchasing power, and high business risks, which make the Republic a no-go zone for investors, further fueling economic problems and social tensions. In recent years, the Chechen Republic has consistently ranked last in socio-economic indicators for the Russian Federation. A comparison of socio-economic indicators for the Chechen Republic with the national average and the average across the Southern Federal District (2004 statistics) show the extent of the Republic's disadvantages (Table 4.7).

In what follows we will attempt a brief description of each of these problems.

The unemployment rate, at about 80% of the working-age population, is the highest in the country. This problem is greatly aggravated by population growth due to rise in the birth-rate and return of refugees and forced migrants. A number of factors are specifically responsible for the critical state of the regional labour market:

- rapid growth in the working-age population cannot be absorbed, as job numbers decline and the rate of new job creation remains slow;

Table 4.7

Socio-economic indicators in the Chechen Republic

| | Percentage share of registered unemployed in total able-bodied population | Living space per person (sq m) | Per capita volume of industrial production (thousands of roubles) | Percentage share of students attending school in late shifts | Hospital beds per 10,000 people | Percentage share of people with incomes below the subsistence level |
|---------------------------|---|--------------------------------|---|--|---------------------------------|---|
| Russian Federation | 8.6 | 19.2 (norm: 18.0) | 78.1 | 19.8 | 116.0 | 17.8 |
| Southern Federal District | 15.8 | no data | 24.8 | 25.2 | 105.2 | 37.3 |
| Chechen Republic | 57.8* | 11.7 | 9.6 | 40.5 | 65.7 | 90.0 |

* in August 2005

Reconstruction is now underway in all vital spheres of the economy and society. The challenge is to implement a series of measures, which can speed up this process and create the economic foundations for qualitative transition from reconstruction to sustainable socio-economic development in the Republic.

To date, positive trends in economic development are counterbalanced by a large number of negative factors. The following key problems need to be solved:

- high unemployment;
- loss of human resources;
- high level of depreciation and destruction of transport and engineering infrastructure and telecommunications facilities;
- critical level of depreciation and destruction of housing;
- lack of economic diversification;
- high level of depreciation and destruction of social infrastructure;
- lack of market infrastructure;
- weak government support for entrepreneurship;
- poor environmental conditions.

- the high share of young people in the Republic's population is boosting labour supply;
- many small rural settlements have their own closed labour markets, which are very weakly linked to the regional labour market;
- poor development of transport infrastructure and lack of information about job vacancies, due to absence or remoteness of employment offices, make mobile job seeking impossible for most of the unemployed;
- low-quality of available jobs;
- loss of human resources due to outflow of qualified specialists from all sectors of the economy and the social sphere;
- declining quality of education.

The problem of access to education has several dimensions in the Chechen Republic. One of them is **loss of educational establishments**. Many schools (including six technical colleges and general secondary schools and four specialized secondary schools in Grozny) and the majority of pre-school establishments have been closed. About 460

Box 4.3. Human Development Problems in the Chechen Republic *(continued)*

secondary schools are currently operating in the Republic with 13,000 teachers. This is roughly equal to pre-war levels, but the condition of schools today is entirely different: the teachers work in extremely difficult conditions and pupils in some districts have only 10% of the necessary textbooks. Over 152 schools are using temporary facilities.

The education system in Chechnya requires urgent attention in order to support reconstruction of the Republic's industry and meet real demands of the regional economy.

Rebuilding of the Chechen economy will need a substantial number of qualified specialists – engineers, technical specialists, and qualified workers – and the number of students who currently graduate annually from higher educational establishments in the Republic is clearly insufficient. Efficient economic mechanisms are needed to connect the educational system with the labour market and to supply the specialists, who are needed for reviving and developing new sectors of the economy and social sphere.

The problems of **housing quality** and **access to drinking water** are particularly urgent in the Chechen Republic. Destruction during the armed conflict has led to a chronic shortage of housing. What is left standing is inadequate in quantity and quality, lacks dependable public utility infrastructure, and is poorly maintained. Over 150,000 private homes and about 73,000 apartments were fully or partially destroyed during the fighting. A further 2,092 private homes were destroyed and 2,335 were seriously damaged by flooding in 2002.

In November 1994 living space per person in the Chechen Republic was 18 sq m per person (above the national average of 15.7 sq m per person). Total floor space of housing in the Chechen Republic today is only 12,973,000 sq m or 11.75 sq m per permanent resident. The Russian average is 19.29 sq m per person.

Current financing of residential construction in Chechnya is insufficient due to low per capita purchasing power and inadequate budget revenues. The housing problem is also aggravated by:

- slow and poor-quality construction work;
- weakness of the local building industry;
- lack of regional planning documents for the Republic;
- inadequate urban planning documentation for new housing and ineffective urban development;
- lack of ready sites for residential construction;
- underdeveloped residential and capital investment markets, and lack of modern mechanisms for regulating them and stimulating their development;
- lack of a system of loans on special terms for purchase of housing.

As in the education sphere, the problems of **morbi-dity** and **mortality**, which are linked to the state of public health, are difficult to solve in view of high depreciation

and destruction of social infrastructure and weakness of easily accessible health care. Although the public health, education, and social security systems have restarted operations in the Republic, services are still not up to modern standards. There was widespread **destruction of public health establishments**, particularly in towns, during military conflict in the Republic. Medical services, particularly polyclinics and emergency assistance, are still provided in rural areas. However, density of the polyclinic network in certain districts of the Republic is only 20% of national standards. This makes it impossible to provide medical services at a satisfactory level. According to the Republic's Ministry of Public Health, disease is now 10–15 times more prevalent than before the war. Many medical services are provided in partially destroyed buildings; there are shortages of diagnostic equipment; and many clinics and hospitals lack running water, electricity, and sanitation.

Poor environmental situation. Virtually nothing was done during the armed conflict to prevent damage to the environment, and the Republic is now suffering from accumulated oil pollution as well as extensive damage from floods and landslides. There is continuing pollution (though at lower levels than previously) of surface and ground water, soil and air through combustion, evaporation, refining, and leakage of oil and oil products, presence of chemical substances and radioactive sources, and primitive refining of oil and oil condensate at small plants located in or near settlements. Water sources continue to be polluted by discharge of oil products and organic matter. Biological treatment facilities, sewage pump stations, and run-off systems for rainwater not been yet rebuilt. Untreated wastewater is discharged into surface water sources as well as basements of buildings, increasing the risk of spread of infectious diseases.

Measures are urgently needed to limit impact of landslides and spring and summer floods in most districts of the Republic. Flooding in summer 2002 completely destroyed 747 houses and damaged 70-km of water pipes, 87 bridges and 205-km of roads in the Republic.

The Republic's rivers need a system of flood prevention, since 15 large settlements with tens of thousands of inhabitants are located in the flood zone of the River Terek. Large amounts of pollutants enter the drainage system during floods, and considerable damage is caused to waterworks, private homes, and public utilities.

The armed conflict had negative impact on soil quality in many districts of the Republic, mainly through pollution of soils by oil products. The worst oil pollution is found around facilities for filling, storing, and transporting oil products, fuels and lubricants and around fuel and energy plants at which accidents have occurred. Such pollution is mainly due to depreciation of oil infrastructure, particularly oil storage tanks and fuel pipelines.



Box 4.4. MDGs in Republic of Dagestan

The Republic of Dagestan is the largest republic of the North Caucasus by land area (50,300-sq-km) and population (2,500,000 people, of whom 60% live in rural areas). Dagestan is home to 60 ethnic groups and indigenous peoples speaking over 30 different languages. The bulk of the population lives in the plains and foothills region, while the Republic's highlands and northern regions are virtually uninhabited.

Dagestan currently has problems in all spheres of its economy. The Republic has suffered a serious economic decline, caused by general instability in the North Caucasus region and Russia's financial and economic crisis, and its industry and agriculture have had difficulty adapting to market conditions. A transport and energy embargo in 1995–2001, caused by events in Chechnya, had serious negative impact on Dagestan's economy and social sphere.

The Republic remains dependent on federal subsidies (which account for 76.8% of total budget spending) and on profits from the unregistered "shadow" economy. Dagestan has a larger share of people who have not yet attained working age (32.6%) than almost any other Russian region, and the share of disabled children in this age group (3.59%) is the highest in the country. About 70% of people in Dagestan depend on welfare.

Goal 1. Reduce Extreme Poverty

Dagestan's dire poverty is largely due to the critical state of its labour market. The able-bodied population is growing faster than the number of jobs, so Dagestan continues to experience a labour oversupply. The total number of unemployed by ILO criteria in late 2006 was 267,500 or 27.7% of the able-bodied population. In late 2006, 55,900 people or 5.7% of the able-bodied population were registered at state employment offices. The situation in the Republic's upland districts is particularly difficult with average unemployment rates of 11.5–12% (compared with 4.2% in the plains). The average unemployment rate in urban areas is 2.3%, while the unemployment rate in rural areas (which account for about 84% of registered unemployment) is almost six times the national average (Table 4.8).

Table 4.8

Structure of youth unemployment in 2005

| 15–19 years | 20–24 years | 25–29 years |
|-------------|-------------|-------------|
| 24,324 | 58,301 | 47,286 |

A second problem is low per capita income. The average monthly wage in 2006 was 3,237-roubles, which represents an increase of 17.3% from 2005. This was due to salary increases for public sector workers. However, wages in the Republic remain lower than in other regions of the Southern Federal District. Wages in Dagestan in 2006 were 63.7% of the SFD average and 43.7% of the national average (Table 4.9).

Table 4.9

Share of people with incomes below the subsistence level in 2000–2005, %

| 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|------|------|------|------|------|-------|
| 72.6 | 69.0 | 59.7 | 54.7 | 33.9 | 22.01 |

Source: Dagestan Republican Statistics Agencies

Growing federal assistance reduced the poverty rate in the Republic by a factor of 3.5 between 2000 and 2006, and depu-

ties of Republic's parliament are discussing ways to improve targeting of welfare, to ensure that it reaches those most in need.

Goal 2. Increase Access to Education

Dagestan outranks many of Russia's major cities by numbers of young people in education. The Republic currently has 1,664 educational establishments with 415,664 students. There are 20 higher educational establishments and over 30 branches of various higher educational establishments, whose main facilities are in other parts of Russia. There are over 100,000 students at higher educational establishments.

Dagestan has received more subsidies through the "Education" national project than most other Russian regions. Over 660 million roubles were invested by the federal government in Dagestan's education system in 2006. The share of spending on education in the Republic's budget increased from 23% in 2001 to 31.2% in 2006.

Goal 3. Ensure Gender Equality and Improve the Status of Women

The share of women in the republican governmental institutions is fairly low. There is only one woman minister and only one woman among 53 heads of city and district administrations. The share of women in the republican parliament is 10%.

Civil society organisations are working to promote gender equality. There is a women's domestic violence crisis centre in the Republic, and a new service – the Union of Women of Dagestan – has been set up to provide psychological assistance to women. Progress has been largely due to work by the plenipotentiary human rights representative in the Republic of Dagestan to develop inter-sectoral partnership and coordinate work between NPOs, the state and local government. NPOs in Dagestan address a wide range of problems: in the last 10–12 years, small loan projects have been implemented, studies have been carried out on the legal status of women, training has been provided to local NPOs, and various other events have been held to expand opportunities for women in the Republic. Several conferences and other events have been held on mechanisms for monitoring progress with implementation of CEDAW (Convention on the Elimination of All Forms of Discrimination against Women), as well as on design of gender policy, and conduct of gender analysis.

Work by NPOs to promote gender equality has included actions to defend women's interests, raising public awareness about equal opportunity policies, gender education, measures to prevent violence against women, and measures to combat trafficking in people, particularly women and children. A programme is currently being developed in the "Civil Education" sector to carry out training seminars on the reasons for violence against women, the role and functions of crisis centres, the basics of gender analysis, and gender studies. These measures should improve capacities of women's NPOs and promote their participation in social development processes.

Goals 4 and 5. Reduce under-five mortality and improve maternal health

Dagestan is in first place in the Russian Federation by natural population growth and its mortality rate is one of the lowest in the country (5.8 per 1,000 population). The latter is due to the younger age structure of the population. The birth rate in Dagestan is 18.5 per 1,000 population, compared with 10.4 in Russia as a whole and 12.1 in the Southern Federal District. The birth rate in rural areas is 50% higher than in urban

Box 4.4. MDGs in Republic of Dagestan (continued)

areas. As a result, pre-school and school children account for over 35% of the population, while over 74% of families have children under 18. Families in Dagestan tend to be large: over 40% of families have three children or more, and 8% of families have five or more. The family coefficient is 4.6. The under-five mortality rate has almost halved: from 22.6 per 1,000 live births in 1999 to 12.3 per 1,000 live births in 2006.

Goal 6. Combat HIV/AIDS and Tuberculosis

The active tuberculosis prevalence rate was 62.2 per 100,000 in 2006 (up from 57.8 per 100,000 in 2004). In certain districts and cities such as Makhachkala, Kizilyurt, Kizlyar, and Khasavyurt, the incidence of first time active tuberculosis exceeds the average republican indicator by a factor of 1.1–1.8. A particularly alarming trend is the growing incidence of bacillary tuberculosis (up by 31% from 16.4 per 100,000 people in 2005 to 21.6 per 100,000 in 2006).

There have been some positive results from a regional target programme for the period 2003–2007, which aims to combat tuberculosis and is organized by the State Sanitary and Epidemiological Service together with relevant ministries and government departments. The tuberculosis mortality rate fell by a factor of 1.4 to a level of 15.4 per 100,000 from 2000 to 2006, and the active child tuberculosis prevalence rate fell by a factor of 1.3 to 17.2 per 100,000 population.

According to the Republican AIDS Centre, there were 880 officially registered HIV-positive individuals in Dagestan in December 2006, of whom 75–80% were drug addicts. The main disease centres are the towns of Derbent, Makhachkala, and Dagestanskie Ognj. Over 100 new HIV cases were registered in the Derbent District in 2006. This is related to the fact that drugs are smuggled from the South through Derbent. The high youth unemployment rate also plays an important role. In all, 105 deaths from AIDS have been registered in the Republic, 85% of which were among people aged 20–30 years.

Medical and public awareness work (including via media) is being carried out in order to combat HIV in Dagestan, including provision of HIV tests (about 180,000–200,000 HIV tests are carried out annually). A regional AIDS programme is being implemented alongside the national programme.

Goal 7. Ensure Environmental Sustainability

The state of the environment in the Republic is poor, due to pollution by harmful, toxic and biological waste. Traditional energy sources and raw materials are being depleted, and the natural balance in the environment has not been respected.

Natural endowment of Dagestan are its forests, which cover an area of 524,000-hectares and include some exceptionally rare and valued species. Conservation regions in the Republic include Dagestan State Nature Reserve, Samursky State National Park, three federal conservation areas, 10 republican conservation areas, the Gunibskoye Plateau Mountain Botanic Garden, Makhachkala Dendrological Park, and Ak-Gel Lake Aquatic Park. Nature reserves cover 0.4% of Dagestan, the National Park covers 0.13%, and total territory of conservation areas is 10.4% of the Republic's land mass.

The Republic is rich in thermal, mineral, and fresh ground waters, which are used in power generating, industry and for medical purposes. However, Dagestan's water ecosystems are highly vulnerable to impacts, caused by man. This applies particularly to pollution of rivers and coastal areas of the Caspian Sea by untreated sewage. Only 40% of the Republic's territory has sewage systems.

A sewage collector is currently being built to carry waste beyond Makhachkala's city limits, but completion has been postponed due to shortage of funds.

Sustainable supplies of safe drinking water are a very urgent problem, and half of people in the Republic currently drink water that does not meet hygiene norms. Over a third of water supply systems do not meet sanitary and hygiene standards. The republican capital of Makhachkala, where over 30% of the population lives, has severe difficulties with water supplies, particularly during the summer. The October Revolution Canal is not sufficient to meet water needs of the population of Makhachkala, and construction work has therefore begun on a third branch of the Miatlinskoe water conduit, which should solve the problem.

Goal 8. Participate in Global Partnership

Unemployment is one of the key problems in Dagestan and it has particular impact on women and young people. The high share of young people among the unemployed is due to shortage of jobs and high selection criteria among employers. Up to 70% of young people under the age of 30 do not have a registered job and are considered to be unemployed on account of their inadequate levels of education and professional training, suggesting that further improvements are needed in the system of professional and specialist training. Recent growth of labour demand has not solved the problem: employers continue to select employees on the basis of age and work experience, while unemployed individuals, particularly young people, are making increasing demands as regards working conditions and wages.

A job placement centre has been set up at Dagestan State University to assist graduates in finding work and to strengthen ties with enterprises and organizations, which have jobs to offer. The centre holds job and internship fairs, promotes social insertion of graduates into the labour market (via a job club), and helps graduates to set up their own business. The centre is developing a computerized information system that provides information on educational services and the labour market to graduates of schools and technical colleges, university applicants, and employers in order to help young people to choose a profession more effectively and assist employers in finding young specialists.

One key aspect of participating in a global partnership is development of ties between non-profit organizations and state, municipal, and businesses structures. The Republic offers different models for cooperation between civil and state structures, some of which have operated effectively for many years. Various committees and ministries in the legislative and executive branches of the Republic's government deal with inter-ethnic relations, human rights, and development of civil and religious associations. However, despite the number of structures involved, partnership between different sectors of society remains poorly developed.

Key areas of activity by international organizations in the North Caucasus include assistance in conflict resolution and humanitarian work. International organizations often tend to limit their cooperation to a small number of non-profit organizations, overlooking other organizations that are also working constructively on the local level. Many republican NPOs have difficulty obtaining information on activities by international organizations, and lack of attention to independent and youth NPOs makes it more difficult for international organizations to assess the Republic's real needs.