



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

SERVICE DE LA GESTION PUBLIQUE
PUBLIC MANAGEMENT SERVICE

29 November 2001

Report on the Seminar on Regulatory Management and Reform 19-20 November 2001, Moscow, Russian Federation

Purpose

The Seminar was a follow-up to recent high-level talks with the Russian Government on extending its co-operation with OECD to a joint project on regulatory reform. The purposes of the Seminar were:

- To present OECD's Regulatory Reform Programme and the benefits of regulatory reform experienced by OECD countries to Russian high-level government officials, representatives of business and academia;
- To receive indications on the possible scope and focus of a regulatory reform review of Russia;
- To launch a Russia-OECD co-operation on a multidisciplinary review of Russia's regulatory reform policies within the framework of the OECD Regulatory Reform Programme.

Participants

Russian Federation. Approximately 100 RF Government officials, representatives of business and academia attended the Seminar. It was organised around the main themes of the OECD Regulatory Reform Programme. First Deputy Minister of Trade and Economic Development, Ms. Elvira Nabiulina opened the Seminar together with Mr. Anton Danilov-Danilian, Head of the Economics Department of the President of the Russian Federation. Mr. Ilia Yuzhanov, Minister of Antimonopoly Policy and Support of Entrepreneurship chaired one of the sessions and several other deputy ministers intervened.

OECD Member countries. Speakers from OECD Member countries included representatives from the UK, US, Italy and Hungary. Other OECD delegates from capitals or local embassies included representatives of Germany, Finland, South Korea and the US. Senior representatives of foreign business in Russia and the World Bank also participated actively.

OECD Secretariat. Rolf Alter, PUMA; Peter Ladegaard, PUMA; Nick Malyshev, CCNM; Anthony Kleitz, ECH; Bernard Phillips, DAF/CLP; John Litwack, ECO; Anke Freibert, SIGMA; Inga Stefanowicz, PUMA; Isabel Murray, IEA; Sergei Ponomarev, OECD Moscow Office; Natalia Vishnevskaya, OECD Moscow Office

Key results

- The Seminar and bilateral meetings confirmed strong Russian Government interest and commitment in launching a regulatory reform review of the Russian Federation based on OECD's Regulatory Reform Programme.



- In addition to the core themes of the existing review programme (macro-economic context, government capacities, market openness, competition policy) special interest was expressed in regulatory reform issues concerning federal/regional relationships and regulation of product and technical standards.
- OECD contributions to current reform considerations were seen as crucial; representatives of the RF Government see the future co-operation as a dialogue with OECD experts, a joint effort with active participation of the Russian experts (establishment of working groups on the Russian side). The process would be at least as important as the final written recommendations.
- The World Bank Moscow office reassured strong interest and active support for the review of the Russian Federation. The World Bank is currently preparing a project on regulatory reform in energy and infrastructure, which would be co-ordinated with OECD review activities.
- Key interlocutors from the Presidential Administration and the Ministry of Economic Development and Trade were invited by Mr. Luigi Carbone (Italy), Chair of the Working Party on Regulatory Management and Reform, to participate in the next meeting of the Working Party;
- In follow-up to the Seminar and the bilateral meetings, the OECD Secretariat is currently preparing a memorandum to be submitted to the RF Government by the end of 2001. The memorandum will provide specific suggestions to the framework, organisation as well as the themes/sectors to be covered by the review.

Russian contributions to the Seminar

- **Opening session**

Presentations by **Ms. Elvira Nabiulina, First Deputy Minister of Economic Development and Trade** and **Mr. Anton Danilov-Danilian, Head of the Economics Department of the President of the Russian Federation** opened the Seminar. They focused on the achievements of the past ten years of transformation but also highlighted issues of concern for further reforms. Significant progress has so far been made in areas such as: introduction of free markets (with exception of natural monopolies); market openness; customs; government procurement; banking; insurance; competition law and policy; stock and limited liability companies legislation; licensing; civil, administrative and criminal codes; corporate governance and taxation. But reforms still need to be completed and implemented in many of the areas. This would lead to further opening of markets (also in relation to the WTO accession negotiations), further "debureaucratisation" and reliance on self-regulatory institutions. Questions of major concern for the Russian government at present include: how to sustain economic growth, how to achieve a consistent and effective system of regulation in the transition period, and how to secure a stable regulatory environment for business and investments throughout the regions of the Federation.

- **Session 1 on Economic Growth and Structural Reform**

Mr. Viacheslav Ovchenkov, Deputy Chairman of the Federal Energy Commission (FEC) reported on the progress achieved in the area of energy regulation. The present coverage of FEC regulation includes energy, heating, gas, transport of crude oil and related products, railroads and ports. It is planned to further expand the coverage under the Single Tariff Body to be created in accordance with the recent presidential decree. This was seen as a positive development allowing for a better use of scarce resources and co-ordination of sectoral policies. Of particular concern at present is strengthening of the independence of the FEC in relation to the Government and subordinating the Regional Energy Commissions directly to FEC. Energy markets development strongly depends on the development of a stable climate for investments. In this respect non- or non-cash payments problems require further attention.



The presentation by **Mr. Viacheslav Kravchenko, Head of the MEDT Department of natural monopolies' restructurisation**, complemented the description of the Government programme of reform in the energy sector until 2020. He also reported on progress in implementation of the railroads sector reform. The reform in this sector is scheduled to take around ten years and foresees re-regulation of the industry. It is planned that the Russian Railroads - a stock company - will be separated from the present industry structure, but will remain under control of the Government. Ownership and regulation functions of the State have already been separated with transferring of the latter one to the FEC. Operations will be subject to competition.

- **Session 2 on Development of a Trade- and Investment-friendly Environment**

Mr. Sergei Bayev, Head of the MEDT Investments Department reported on investment issues. The current level of investment is unsatisfactory. Savings are growing but still only around half of their total amount is invested. Capital flows and savings outside the formal economy are significant and should be reduced. Government participation in investment is also inefficient (e.g. number of unfinished construction sites is growing). Government policy towards debts restructuring and non-payments should be reconsidered in order not to undermine enterprises' incentives to restructure and optimise.

Mr. Alexandr Maslov, Deputy Minister of Economic Development and Trade described the achievements of the Government "debureaucratisation" programme (now in force for about one and a half years). The goal of the programme is to "make entrepreneurs' life as easy as possible". To this end several laws have already been adopted or drafted concerning: reducing the number of licensed activities (to 100), reducing the number of controlling institutions and procedures, facilitating start-ups of new businesses.

Customs reforms were discussed in terms of bringing them in line with the WTO and WCO requirements. Customs administration was highlighted as an area in particular need for reform. Plans for the future work also encompass stabilisation of the legal framework.

Mr. Oleg Boikov, Deputy Chairman of the Supreme Arbitrage Court pointed to the issues of legal transformation in Russia. Many new concepts have been introduced into the Russian legal order in the recent years, often without appropriate adaptation, clarity and *vacatio legis*. Mr. Bayev of MEDT also stressed the importance of impact assessments of new regulations.

- **Session 3 on Competition Policy and Regulatory Reform**

Mr. Iliya Yuzhanov, Minister of Antimonopoly Policy and Support of Entrepreneurship explained that, besides exercising the usual competition authority functions, the Ministry plays a major role in the Government reform efforts. For example, the Ministry is responsible for SME development support; and it has special powers to act against anti-competitive measures by other organs of executive power at all levels. In the reform process the Ministry also considers consumer protection issues. **Mr. Anatioly Golomozin, MAP Deputy Minister**, stressed the Ministry's particular emphasis on reforms in natural monopolies sectors. He noted that complaints against entities in Fuel and Energy Complex, transport and communication amount to 65% of all abuse of dominance cases.

Mr. Oleg Kolomychenko, Head of the St. Petersburg Regional Office described some of the problems concerning implementation of federal policies at a regional level and inconsistencies in institutional frameworks for regulation. While MAP regional offices represent federal authorities (MAP) in the regions, Regional Energy Commissions are independent from the Federal Energy Commission and at the same time politically dependent on appointment vested with regional authorities. MAP regional offices often undertake actions against anti-competitive practices by RECs.



- **Session 4 on Government Capacities to Assure High Quality Regulation**

Mr. Alexander Rubtsov responsible for co-ordination between government structures and entrepreneurs in the Presidential Administration discussed the issues of a so-called "administrative rent" - one of the major burdens for entrepreneurs in present Russia. In a maze of procedural, technical and other requirements only those are "enforced" that are impossible for entrepreneurs to comply with. This gives enforcers possibility to extract "fees" for not sanctioning the non-compliance of companies. Other requirements (even if of greater potential importance) receive no attention. It is therefore crucial that the system is restructured, excessive requirements abandoned, obligatory standards simplified. The draft law on technical regulation and standardisation constitutes an important step forward in this respect. Further details need to be clarified, including implications for cross-sectoral as well as sector specific laws. To this end co-operation of foreign experts has been used in the past, eg. in the field of technical requirements legislation and would be most welcome in the future.

- **Session 5 on Priorities for Russia-OECD Co-operation on Regulatory Reform**

In this concluding session **Mr. Tseren Tserenov, Head of the Department of Regulation of Entrepreneurial Activity and Development of Corporate Governance, represented the Ministry of Economic Development and Trade. Mr. Gary Minkh, Deputy Head of the Legal Department spoke on behalf of the Presidential Administration.** Both representatives expressed commitment of the Russian Government to launch a regulatory reform review process in the format that has been used for the OECD members. This would allow learning from the OECD countries' experience, including their successes and failures. Of particular interest would be the issues of federal/regional relations, regulatory quality management and impact assessment, transparency and openness of a regulatory process. As far as working methods are concerned it was stressed that active participation on the Russian side should be assured. To this end working groups would be established on the Russian side. Involvement of regulatory/controlling institutions that were not present at the Seminar and are, at the same time, usual opponents to reforms, e.g. Gosstandard, Sanepidem, Ministry of Internal Affairs would be crucial for the future project.

Contributions of the OECD Member countries and the Secretariat

Senior experts from OECD Member countries presented various aspects of their regulatory management systems together with practical experiences from being reviewed under the Regulatory Reform Programme. **Mr. György Fehér, representing the Permanent Delegation of Hungary to the OECD** discussed the process and the results of the regulatory reform review in Hungary finalised in 1999. Mr. Fehér referred to the contents and final recommendations of the review report and praised the benefits this process has brought to regulatory reform in Hungary. The presentation of **Mr. Alberto Heimler, Director of the Italian Competition Authority** concentrated on competition advocacy issues in a reform process. Questions such as: how to build a pro-competition consensus; how existing coalitions can be challenged and how to impede special interests to exercise their influence on national rules were discussed. **Mr. Jefferson B. Hill, Chief of Commerce and Lands Branch of the US Office of Management and Budget,** described the regulatory reform process in the US. He pointed to the longstanding experience of the US in implementation of the regulatory reform and of the 1997 OECD Ministerial Report recommendations. Institutional and procedural framework for reforms was analysed. **Mr. Luigi Carbone, Chairman of OECD's Working Party on Regulatory Management and Reform** who chaired the session on Government Capacities to Assure High Quality Regulation made a reference to the ongoing APEC-OECD co-operation on regulatory reform. In particular he pointed to the similarities of this co-operation with the current OECD-Russia co-operation on regulatory reform. He stressed that the concept of regulatory quality is a common good that could be shared between countries no matter the specific policy objectives. **Mr. Michael O'Neill, the representative of the Foreign Investment Advisory Council,** who chaired the session on the Development of a Trade- and Investment-Friendly Environment, referred to the issues of improving the business climate for all investors both foreign and Russian. He also mentioned that FIAC would welcome further opportunities for co-operation with OECD in the areas relating to above issues.



Secretariat's presentations focused primarily on the conceptual framework of the review programme. The presentations demonstrated significant similarities between the regulatory reform aspects in OECD Member countries and in Russia. Presentations were received with great interest.

At the **press conference** concluding the Seminar, Russian Government officials together with the representatives of the OECD announced the commitment to launch a 18- to 24-months regulatory reform review process, based on the current OECD Regulatory Reform Programme. Key issues for the future review, as included in the Governmental agenda, could encompass reducing the State involvement in the economy, strengthening of accountability of the Government and other regulatory institutions and activation of civil society institutions.