RUSSIA: ENABLING ENVIRONMENT FOR FOREIGN INVESTMENT

Progress Report

This document is submitted for discussion under item 9g of the agenda for the CIME meeting on 14-15 December 2000. It is intended to bring delegates up to date with progress on the OECD publication “The Enabling Environment for Foreign Investment in the Russian Federation”. It is envisaged that the complete publication will be submitted to delegates for comment under written procedure during the month of January.

Contact: Eva Thiel [Tel: 33-1 45 24 96 63; E-mail: eva.thiel@oecd.org]
Russia: Enabling Environment for Foreign Investment

Progress Report following the Second Meeting of the Russian Foreign Investment Study Steering Group in Moscow on 6 December 2000

1. The Steering Group met to discuss and contribute to the draft of Part III of the forthcoming OECD publication (see attached Publication Outline). It is envisaged that this publication be released in the first quarter of 2001 after consideration by the Committee and presentation to the Russian Government. Part III contains policy conclusions and recommendations on investment policies and the institutional framework for business activities in Russia [see DAFFE/IME/RD(2000)27].

2. Participants at the Steering Group meeting included senior government officials, representatives of the Russian Central Bank and judiciary, an international group of experts invited by OECD and members of the OECD Secretariat. There was consensus among members of the Steering Group that the comprehensive study addresses the specific areas of major concern to both foreign and domestic investors in Russia. The target readership of the publication comprises both the investor community and policymakers and its objective is to contribute to the dialogue on improving the environment for investment, both domestic and foreign. Efforts have been made to formulate the policy recommendations as specifically as possible in order to enhance their impact.

3. As the meeting followed immediately on the sixth and final East-West International Conference of Ministers of Economics, Industry and Trade [DAFFE/IME/RD(2000)28] which discussed improvements to the investment climate, it attracted particular attention and the forthcoming publication was mentioned at the Conference. It is proving to be a timely project given the current heightened interest on the part of the Russian authorities in closer collaboration with the OECD as a means of signalling to the investor community Russia’s clear commitment to structural reform.

4. Work is continuing on finalising the study in the Secretariat and outstanding information and further written inputs will be provided by individual experts from the Steering Group. An offer was made by Ernst & Young, as acting Secretariat for the Foreign Investment Advisory Council in Russia, to coordinate a meeting with members of the business community in Russia with a view to reflecting their comments in the publication. This meeting will be organised in February 2001 before presentation of the study to the Russian Government. The final draft of the complete study will be circulated to Committee delegates with a request for comments under written procedure.
## INTRODUCTION


## PART I. THE LEGAL AND REGULATORY FRAMEWORK FOR FOREIGN INVESTMENT

### A. Federal Laws and Policies

1. General legislation on investment activity
2. Restricted areas and natural monopolies
3. Special rules for mineral resource extraction
4. Foreign exchange regulation
5. Customs regulation
6. Investment promotion and institutional arrangements

### B. Regional Policies and Practice

1. Administrative practices
2. Regional incentives and tax free zones

## PART II. KEY POLICY ISSUES FOR CREATING AN ENABLING ENVIRONMENT FOR INVESTMENT

Overview of major obstacles to business development

1. The protection of property rights (legislative, enforcement and governance issues)
2. The regional dimension: investment policies at sub-federal level
3. Tax system and policies
4. Privatisation policies
5. Financial infrastructure and intermediation

## PART III. INVESTMENT POLICIES AND INSTITUTIONAL FRAMEWORK: CHALLENGES AND FUTURE DIRECTIONS

Policy Conclusions and Recommendations. This section summarises the findings of the study and contains concrete proposals for improvements to the investment climate. It also discusses the priorities set for the many investment-related parts of the extensive reform programme developed under the Putin administration.

## ANNEXES

I. Bilateral Investment Treaties
II. Tax Treaties
III. Regional Economic Indicators