Far-reaching state reform essential for Russia's long-term growth, says OECD

The Russian authorities need to rely more on quality regulation and less on direct intervention in markets and state control over assets to maintain long-term growth, according to a new OECD report. *Russia: Building Rules for the Market* argues that such basic issues as strengthening the rule of law and securing property rights, increasing the transparency and accountability of state institutions, and combating corruption are all major reform challenges.

The Russian authorities have publicly committed to tackling these issues but, while some progress has been made, the actions of state bodies too often contradict stated reform goals. There has been evidence recently of a drift towards more interventionist, less rule-governed state behaviour. Russia’s long-term growth depends on checking such tendencies and reinvigorating market reforms, the report notes.

The need for a wide-ranging and coherent regulatory reform strategy is acute. The combination of excessive regulation, frequent rule changes and inconsistent application makes it very difficult for domestic and foreign businesses to be sure they are on the right side of the law. New regulatory bodies need to be created, existing regulatory agencies given more independence and power and an effective competition policy put in place. Tough anti-trust legislation is needed, along with a strong institution to implement it and stiffer penalties imposed for anti-competitive behaviour.

The state should foster competition in the natural gas, electricity, rail transport and banking sectors. Improving the efficiency of each could have positive knock-on effects on the rest of the economy. But failure to reform these sectors will impede not only their own development but the growth of the economy as a whole. The state should ultimately aim to reduce its ownership of rail, energy and banking assets.

Building effective institutions for the market, in turn, will require fundamental reforms of state institutions at every level, from the federal bureaucracy, to the courts to local government. State institutions should be made more transparent. Real bureaucratic accountability – to ordinary citizens or elected political leaders – will require greater access to officials and better information about what they are doing. Civil-service reform would also benefit from supporting initiatives to foster the development of civil society and a freer press. The judicial system should be reformed and courts and judges better protected from pressure or interference by state bodies and private parties.

The report is available to journalists on the password-protected website or from the OECD's Media Relations Division (tel. +33 1 45 24 97 00). For further information, journalists are invited to contact Josef Konvitz, OECD’s Directorate for Public Governance and Territorial Development (tel. +33 1 45 24 97 00).