RUSSIAN FEDERATION

Priorities supported by indicators

Lower barriers to trade and foreign direct investment (2011)

Recommendations: Discontinue discriminatory trade measures introduced during the crisis. Reduce tariff levels and dispersion. Shorten the list of strategic sectors in which foreign acquisitions require prior government approval.

Actions taken: The narrowing in March 2011 of the list of activities of strategic importance performed by non-state-owned banks removed the need for prior government approval for foreign acquisitions in this sector. Tariffs for selected agricultural products were reduced in response to the food price shock resulting from the drought in the summer of 2010.

Reduce state control over economic activity (2011)

Recommendations: Reduce the list of strategic enterprises. Increase the use of regulatory alternatives to direct interventions.

Actions taken: No action taken.

Raise the effectiveness of innovation policy (2011)

Recommendations: Continue the reforms in the state science sector. Monitor and regularly review the outcome of special projects. Support private-sector innovation activities through universally applied fiscal incentives and legislative framework, avoiding "picking winners".

Actions taken: The government's new innovation strategy "Innovative Russia-2020" emphasises the importance of private sector innovation activity. The creation of the Skolkovo "innovation city" may facilitate innovation, but its special legal and tax regimes go against the principles of universally applied rules and incentives.

Other key priorities

Raise the quality of public administration (2011)

Recommendations: Continue with efforts to simplify regulations and procedures and reduce bureaucratic interference in private sector activities. Reduce potential for corruption by minimising the need for subjective decision-making by bureaucrats.

Actions taken: An April 2011 legislative act requires that all draft legislation be subject to regulatory impact analysis in order to identify the provisions that create unjustified obstacles to investment.

Reform the healthcare system (2011)

Recommendations: Further increase public funding of health care and enhance the efficiency of the health care system. Focus prevention efforts on changing lifestyles. Encourage a shift from hospital to primary care. Improve the incentives for providers to deliver high-quality care.

Actions taken: Since 1 January 2011, citizens have got the right to choose a primary care doctor and an insurance company within the mandatory health insurance system.

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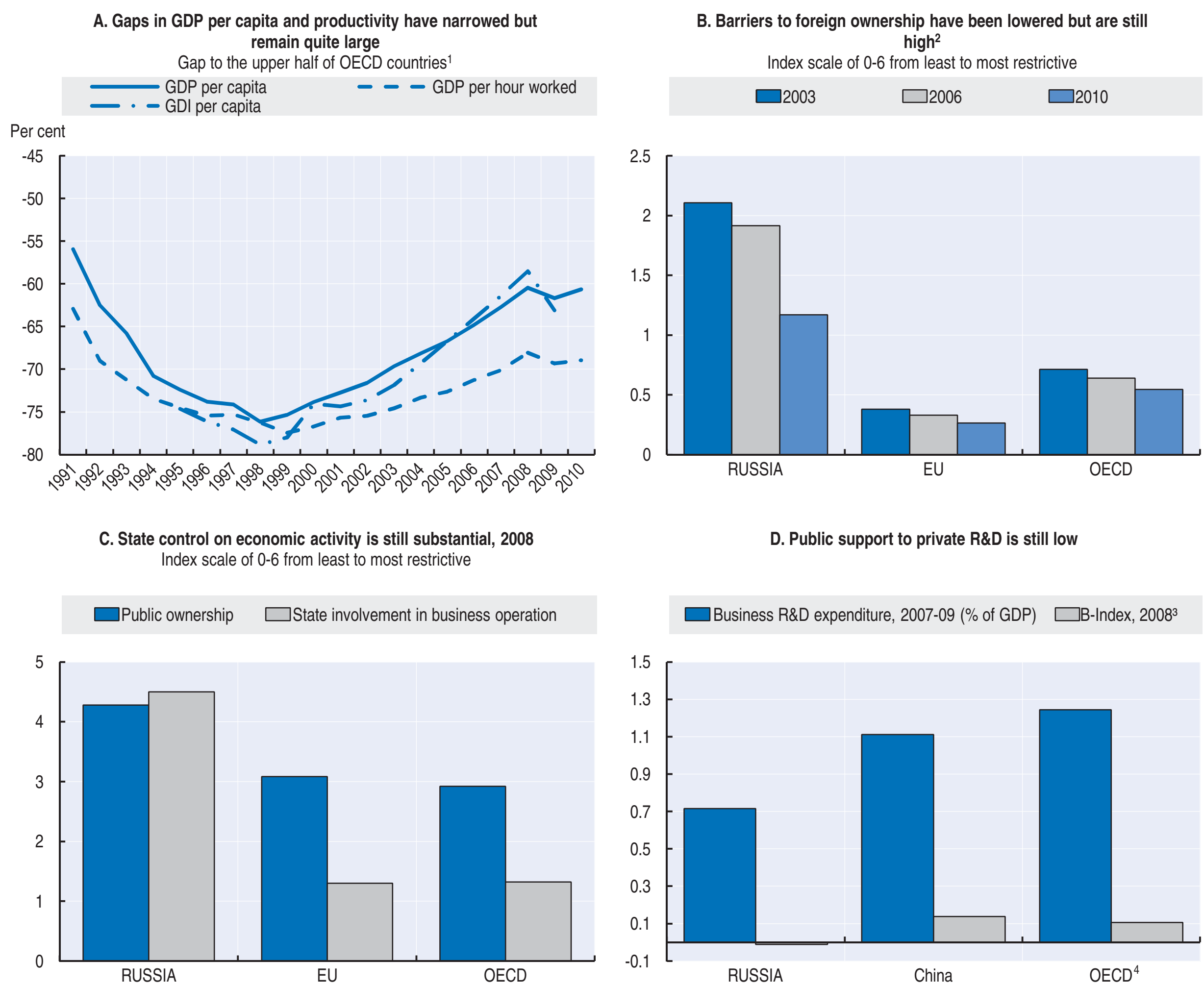
- The rapid narrowing of the per capita income gap relative to the upper half of OECD countries was interrupted in 2009, as Russian Federation was relatively hard-hit by the global crisis. Income convergence has resumed but the gap with best-performing OECD countries remains large, mainly reflecting shortfalls in productivity.
- Progress has been made across most priority areas, such as easing FDI restrictions and improving innovation and healthcare policies. Little has been done to lower barriers to trade or reduce state control over economic activity.
- Outside priority areas, the decision to remove government officials from the board of state-owned enterprises was a step forward in improving corporate governance of these enterprises.

Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. The OECD FDI regulatory restrictiveness index looks only at statutory restrictions and does not assess the manner in which they are implemented.
3. Measures the generosity of tax incentives to invest in R&D, on the basis of the pre-tax income necessary to cover the initial cost of one dollar R&D spending and pay corporate taxes on one dollar of profit. A value of zero on the chart would mean that the tax concession for R&D spending is just sufficient to offset the impact of the corporate tax rate. Average of SMEs and large firms.
4. Excluding Estonia and Slovenia for the B-Index.

Source: Chart A: World Bank (2011), *World Development Indicators (WDI)* and ILO (2011), *Key Indicators of the Labour Market (KILM) Databases*; Chart B: *http://www.oecd.org/investment/index*; Chart C: *Product Market Regulation Database*; Chart D: OECD, *Main Science and Technology Indicators Database*.

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