RUSSIAN FEDERATION

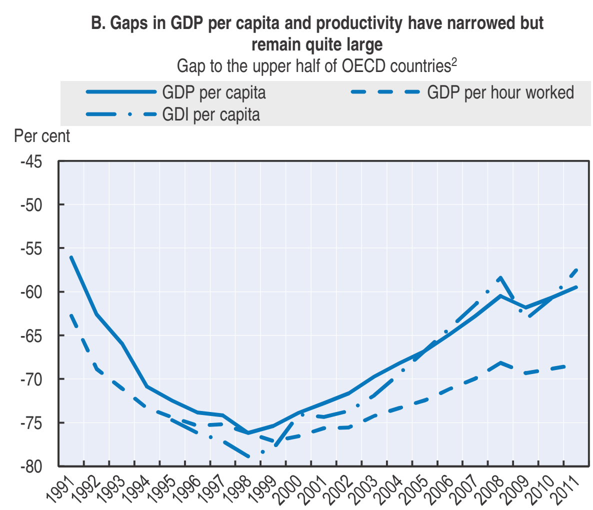
- The GDP per capita gap relative to the upper half of the OECD narrowed rapidly during the boom period of 2000-08, before widening during the global crisis. The resumption of relatively rapid output growth in 2010-11 has resulted in renewed convergence. The per capita income gap is exclusively accounted for by lower productivity, as Russia has a relatively high labour utilisation rate.
- The government has ongoing initiatives to improve public administration, reduce corruption and stimulate innovation, and health care funding has been improving. The results are not always clearly visible, however, and major implementation challenges remain.
- There is considerable scope to raise productivity growth, especially by reducing the role of the state in the economy, with greater integrity and efficiency in the provision of public services and less restrictive product market regulation.
- A more efficient and better-funded healthcare system would both facilitate faster growth of human capital and reduce income inequality, since the poor suffer most from weak health care services.

Growth performance indicators

A. Average annual growth rates

Per cent

	2001-06	2006-11
GDP per capita	7.3	2.8
Labour utilisation[1]	1.6	0.6
Labour productivity	5.6	2.2



1. Labour utilisation is defined as the ratio of total employment over population.
2. 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).

Source: OECD, *National Accounts and OECD Economic Outlook 92 Databases*; World Bank (2012), *World Development Indicators (WDI)* and ILO (2012), *Key Indicators of the Labour Market (KILM) Databases*.

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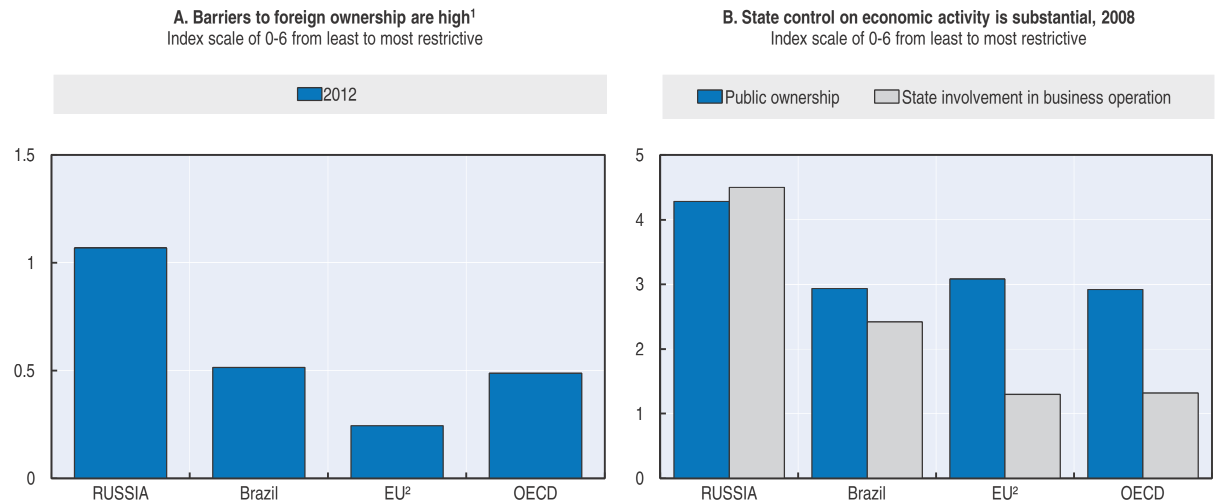
Policy indicators



1. The OECD FDI regulatory restrictiveness index looks only at statutory restrictions and does not assess the manner in which they are implemented.
2. Average of 21 EU countries members of the OECD.

Source: OECD, *www.oecd.org/social/inequality.htm* and *Product Market Regulation Database.*

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Identifying *Going for Growth 2013* priorities

Priorities supported by indicators

Lower barriers to foreign direct investment. A more liberal foreign direct investment regime would enhance competition and innovation, spurring faster productivity growth.

Actions taken: In March 2011 the minimum share of foreign capital requiring prior government approval was raised from 10% to 25% and some barriers to foreign investment in the banking sector were removed.

Recommendations: Shorten the list of strategic sectors in which foreign acquisitions require prior government approval.

Reduce state control over economic activity and other barriers to competition. Restrictive product market regulation, especially *via* the pervasive role of the state in the economy, holds down innovation and productivity growth.

Actions taken: According to the latest privatisation plan, all non-fuel, non-defence and non-natural-monopoly sectors will be privatised before 2016. The institution of national and regional business ombudsman was created in the fall of 2012. A Presidential Decree issued in May 2012 will expand mandatory Regulatory Impact Assessment to regional authorities in 2014 and municipalities in 2015.

Recommendations: Accelerate privatisation, and yield majority control in cases where the state maintains partial ownership. Increase the use of regulatory alternatives to direct state interventions.

RUSSIAN FEDERATION

Raise the effectiveness of innovation policy. Raising the low level of innovation would improve productivity growth.

Actions taken: The new government strategy "Innovative Russia 2020" foresees large increases for funding for research, commercialisation and innovation infrastructure. In April 2012 the government adopted a list of innovative territorial clusters that would receive public support until 2018.

Recommendations: Support private-sector innovation activities through universally applied and regularly assessed fiscal incentives and legislative framework. Increase the share of competitive funding and explore options for privatising research institutes. Avoid the "high-tech myopia".

Other key priorities

Raise the quality of public administration. More efficient public administration would contribute to faster productivity growth.

Actions taken: Salaries of judges were increased in October 2012. The 2012-13 National Anti-Corruption Action Plan includes a requirement to introduce greater protection of whistleblowers. Since November 2011, members of legislative bodies have to report their incomes and assets, and banks are obliged to provide information about public officials' accounts, including family members.

Recommendations: Reduce potential for corruption by minimising the need for subjective decision-making by officials. Strengthen the protection of whistleblowers. Reinforce judicial independence.

Reform the health care system. Poor health outcomes are holding back labour productivity.

Actions taken: The rate of contribution to health insurance was increased in 2011. The patient's choice of health service providers was introduced in 2012. Regular wage increases for doctors are decreed until 2018. Excise taxes on alcohol and tobacco are being systematically increased.

Recommendations: Further increase public funding of health care and enhance the efficiency of the system, shifting from hospital to primary care. Step up efforts to encourage healthy lifestyles.

Previous *Going for Growth* recommendations no longer considered as a priority

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

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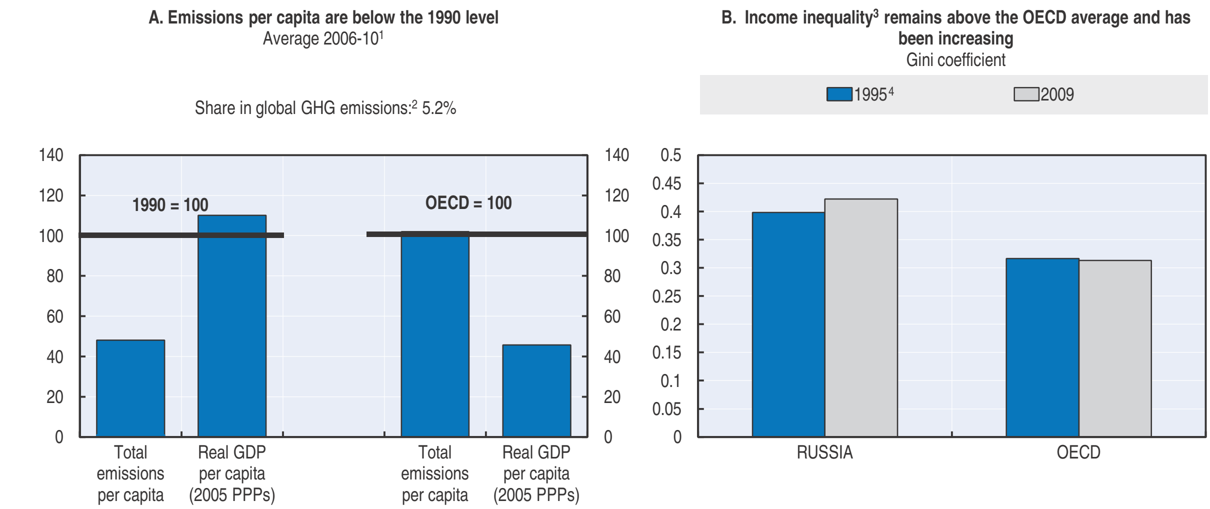
Other dimensions of well-being: Performance indicators



1. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005 and 2008.
3. Income inequality is measured by the Gini coefficient based on per capita income for the Russian Federation.
4. Data refer to 1993 for the Russian Federation. The OECD average excludes Estonia, Iceland, Korea, Poland, Slovak Republic, Slovenia and Switzerland.

Source: OECD, *Energy (IEA) Database*; OECD (2011), "Special Focus: Inequality in Emerging Economies", in *Divided We Stand: Why Inequality Keeps Rising*, OECD Publishing and *OECD Income Distribution Database*, provisional data (*www.oecd.org/social/inequality.htm*).

StatLink http://dx.doi.org/10.1787/888932777644