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- While the GDP per capita gap relative to the upper half of OECD narrowed rapidly until the crisis, the convergence process slowed down afterwards, due both to a decline in potential growth and cyclical factors. The per capita GDP gap is mainly driven by the productivity gap while the employment rate remains above the OECD average.

- Significant improvement was achieved to encourage healthy lifestyles and to strengthen efficiency and effectiveness of health care policies. Progress has been also made in reducing red tape, fighting corruption and supporting private sector innovation, but more efforts are needed.

- Strengthening activation and education policies would spur labour productivity by raising skills and improving matching in the labour market. Innovation policies are critical to ensure a transition towards domestically-driven and resource-independent growth. Improving the business environment would spur productivity by boosting entrepreneurship and innovation.

- Ensuring adequate income support for the unemployed in association with activation and training programmes would reduce income inequality by raising incentives to invest in human capital and improving the quality of jobs.

## Growth performance indicators

### A. Average annual growth rates
Per cent

|  | 2003-08 | 2008-13 |
|---|---|---|
| GDP per capita | 7.5 | 0.8 |
| Labour utilisation[1] | 1.7 | -0.2 |
| Labour productivity | 5.7 | 1.1 |

### B. Gaps in GDP per capita and productivity have narrowed but remain quite large
Gap to the upper half of OECD countries[2]
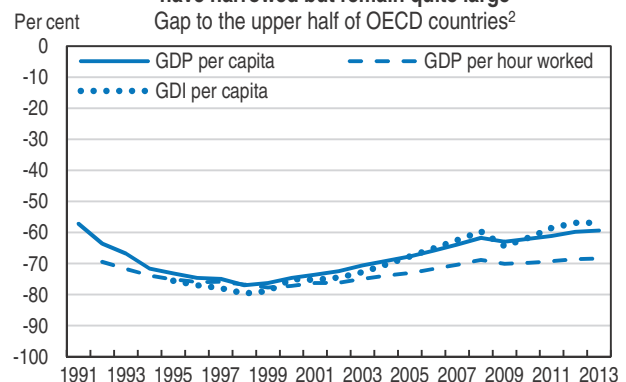


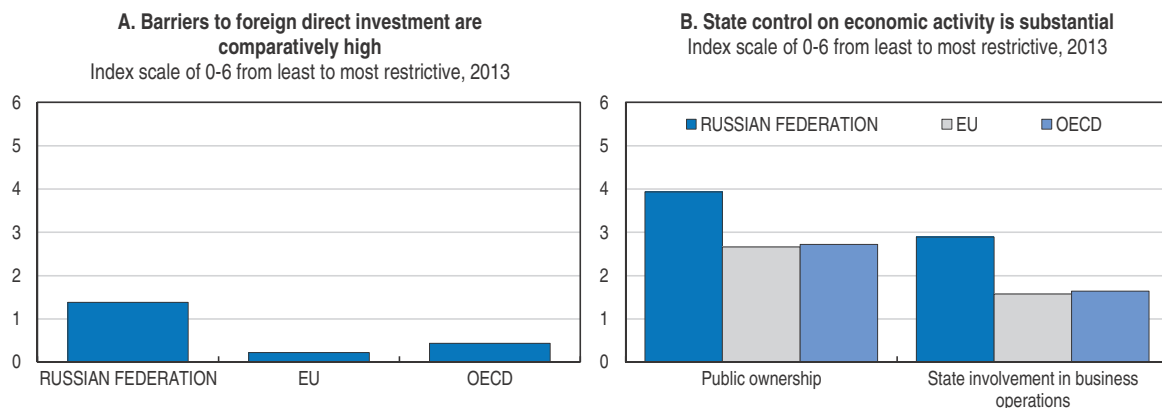1. Labour utilisation is defined as the ratio of total employment over population.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
*Source:* OECD, *National Accounts and Productivity Databases*; World Bank, *World Development Indicators (WDI) Database*; and ILO, *Key Indicators of the Labour Market (KILM) Databases*.

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### Policy indicators

**A. Barriers to foreign direct investment are comparatively high**
Index scale of 0-6 from least to most restrictive, 2013

**B. State control on economic activity is substantial**
Index scale of 0-6 from least to most restrictive, 2013



*Source:* OECD, *Product Market Regulation Database, www.oecd.org/economy/pmr.*

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## *Going for Growth 2015 priorities*

### *Priorities supported by indicators*

*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.

**Actions taken:** Regulatory impact assessment (RIA) has been extended at an early stage of new regulation, i.e. when a draft law is proposed. Two thousands and five hundred businessmen were amnestied as of March 2014. A May 2013 federal law granted business ombudsman the status of public body. The ambitious privatisation plans for 2014-16 were substantially scaled down in June 2013.

**Recommendations:** Continue reducing administrative barriers, and widen federal initiatives to regional and local levels. Accelerate privatisation of state-owned banks and enterprises (SOEs). Further improve the governance of SOEs and foster a level playing field between public and private companies. Extend regulatory impact assessments to legislative draft considered by the State Duma.

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

**Actions taken:** Since October 2013, Russian legislation on foreign investment is conforming to the OECD standards. International agreements not based on the principle of reciprocity are facilitated.

**Recommendations:** To reap the benefits from WTO accession, refrain from introducing administrative entry barriers. Shorten the list of strategic sectors with prior approval required for foreign investment and streamline the approval process.

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*Raise the effectiveness of innovation policy.*   Raising innovation capacity would increase productivity growth.

**Actions taken:** The law on the reorganisation of the Russian Academy of Sciences (RAS), signed in April 2014, should increase efficiency through integration with other specialised academies and by reducing non-research tasks. A Russian scientific fund that aims to support leading research teams was created in November 2013. Direct support to innovation – and to investment in infrastructure – by SMEs will increase over the 2014-16 period.

**Recommendations:** Continue broad-based support for innovation and the adoption of new technologies. Finalise the reform of public R&D by shifting more research from the RAS to universities, increasing the share of competitive grant funding and streamlining state-owned branch research institutes. Evaluate innovation policies more systematically. Support private-sector innovation activities through universally applied tax credits.

### Other key priorities

*Raise the quality of public administration.*   More efficient and accountable public administration would contribute to faster economic growth.

**Actions taken:** The second phase of the OECD Anti-Bribery Convention was implemented in October 2013. Since January 2013, civil servants are required to rotate every 3-5 years. Since September 2013, senior officials and their family are not allowed to hold financial assets in foreign banks. Since April 2013, public institutions and SOEs are required to treat cases of violation of the Code of Ethics and conflict of interest in a commission.

**Recommendations:** Continue the anti-corruption campaign with a stronger focus on transparency and accountability of the public sector. Reduce potential for corruption by minimising the need for subjective decision-making by officials. Improve legal protection of whistleblowers and do not restrict the scope for media and NGOs to publicise violation of the law. Strengthen judicial independence trough greater transparency in appointment and promotion processes, better pay and rotation of judges.

*Ensure adequate income support for jobseekers in association with activation and training measures.*[*1]   An integrated system of unemployment benefits and active labour market and training policies would raise the effectiveness of job search and matching between individuals and jobs. This would spur human capital accumulation and labour productivity.

**Recommendations:** Scale up spending on ALMPs, in particular on training and job-search support. Raise temporary income support to unemployed to allow them devoting more resources to job search.

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1. New policy priorities identified in *Going for Growth 2015* (with respect to *Going for Growth 2013*) are preceded and followed by an "*".
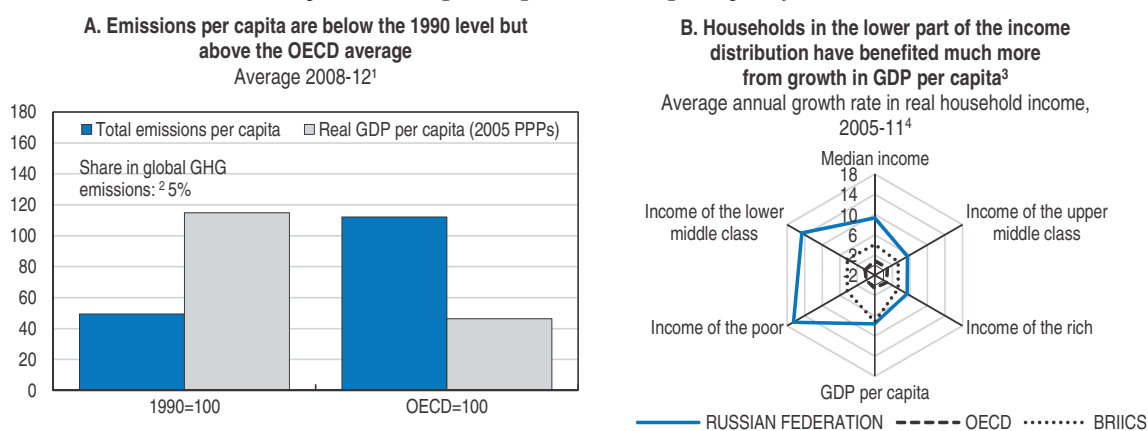
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## Reform areas no longer considered a priority in *Going for Growth*

*Reform the health care system.*    In order to raise health outcomes, it was recommended to encourage healthy lifestyles and to further increase public funding while ensuring cost-efficiency.

**Actions taken:** Since June 2013, smoking is prohibited in public places. The Ministry of Health is detached to a separate body since June 2014. Since 2014 payment of outpatient care has been made more efficient by taking into account not only the volume of services (e.g. the number of visits) but also other characteristics (e.g. the number of patients, their age and sex, morbidity rates and the type of assistance provided).

### Beyond GDP per capita: Other policy objectives

**A. Emissions per capita are below the 1990 level but above the OECD average**
Average 2008-12[1]

**B. Households in the lower part of the income distribution have benefited much more from growth in GDP per capita[3]**
Average annual growth rate in real household income, 2005-11[4]



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.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. Due to data limitations, income levels across the distribution are derived by combining quintile income shares from nationally representative household surveys and gross national income of the household sector from the national accounts. This implies limited comparability with OECD countries' data. See methodological notes at the end of the chapter for the computation of household income across the distribution.
4. Data refer to 2005-08 for the Russian Federation.
*Source:* Panel A: OECD, *Energy (IEA) Database*; World Bank, *World Development Indicators (WDI) Database*; and *United Nations Framework Convention on Climate Change (UNFCCC) Database*. Panel B: World Bank, *World Development Indicators (WDI) Database*.

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