

OECD Report on Russia Specifies Ills and Antidotes

By [The Moscow Times](#)

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Russia needs to address its poor business climate and improve education to reverse an economic slowdown that is being compounded by its structural problems, the Organization for Economic Cooperation and Development, or OECD, said on Wednesday.

The OECD said Russia's economic downturn was primarily the result of a slide in its growth potential, in addition to the end of the period of fiscal expansion that preceded President Vladimir Putin's election to a third Kremlin term in 2012.

"Structural reforms improving the business climate, in particular strengthening the rule of law and fighting corruption, are the most crucial but also the most difficult to implement," the Paris-based organization of major economies said in a report.

Presenting the findings in Moscow, OECD Secretary General Angel Gurría said such reforms were needed to wean Russia off its worrying dependence on energy exports.

"It is about the broader diversification of the Russian economy," he told a presentation during the annual Gaidar Forum.

Addressing the conference, Prime Minister Dmitry Medvedev said Russia needs to overhaul its institutions to sustain growth and avoid the type of economic stagnation typical of emerging economies that fail to clear barriers to further growth.

Medvedev focused on the need to reform and boost education and training so Russia has a productive and flexible labor force.

"We must not artificially support employment at any price," the prime minister said. "We should support those who are willing to change."

The OECD report said recent signs of a crackdown against corruption by the authorities appeared to be genuine, and welcomed signs that companies are less concerned about the efficiency of the court system than in the past.

But it was concerned that Russia's record on press freedom was not improving — noting Russia ranks 148th out of 179 countries, according to a press freedom index published by Reporters Without Borders.

The OECD criticized recent restrictions on public assembly and nongovernmental organizations, or NGOs, as negative for transparency and accountability.

Corporate governance is also a key problem, the report said, leading to low company valuations and reduced revenues from privatization. It recommended requiring state-owned companies to comply with tough stock exchange listing requirements.

The OECD also criticized Russia for the prominent role played by state companies in the economy, calling for it to push ahead with privatization of state companies and banks that dwarf their private-sector competitors.

"Their dominance poses a severe challenge to market entry and competition and preserves pockets of inefficiency," the report said.

It adding that an ambitious plan for the government to sell its holdings in all sectors except natural monopolies, oil and defense, was significantly scaled back last year.

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