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THE OECD REVIEW OF REGULATORY REFORM IN RUSSIA

Update on work in progress

**28-29 October 2004
OECD Headquarters, Paris**

This draft report, issued under GOV/PGC/REG(2004)1, was discussed at the Working Party on Regulatory Management and Reform at its meeting on 27-28 September 2004.

It is now circulated for comment to the Public Governance Committee. Written comments should be submitted to Nick Malyshev (contact details below) by 19 November 2004.

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UPDATE ON WORK IN PROGRESS

1. This paper provides a status report on the implementation of the OECD Review of Regulatory Reform in Russia. It also outlines recent initiatives aimed at restructuring Russia's public administration.

Russia-OECD Co-operation on Regulatory Reform

2. Russia is the first non-member country to request a regulatory review in the framework of the OECD Horizontal Country Review Programme. Carried out as a highly interactive, multidisciplinary process, the review can be expected to contribute to the design and implementation of regulatory reform strategies of the Russian Federation. Italy, Czech Republic and Finland have provided financial support for the project. In addition, the Russian government has agreed to cover one third of the cost of the review.

3. The review includes the following themes and sectors:

- The macro-economic context for regulatory reform
- Government capacity to assure high-quality regulation
- The role of competition policy and regulatory reform
- Enhancing market openness through regulatory reform
- Regulatory reform in the electricity and railways sectors.

4. The Ministry of Economic Development and Trade is the leading partner from the Russian side. The International Energy Agency and the European Conference of Ministers of Transport have been active partners in the preparation of the background reports on regulatory reform in the electricity and railway sectors. The work of other international organisations, including the World Bank and the European Bank for Reconstruction and Development, has supported the review. In addition, a number of private sector companies have assisted the OECD in assessing the regulatory impediments to market openness and investment in Russia.

5. Reports on the railway sector and competition policy have been completed through the peer-review process, and have been published in English and Russian. The preparation of reports covering government capacity, market openness and reforms in the electricity sector are well advanced. The original schedule for the Review called for the OECD to complete work by the end of 2004. Two issues – Russia's financial contribution to the project and the appointment of a project co-ordinator – need to be resolved before the remaining three chapters can be completed, and a synthesis report with cross-cutting policy recommendations can be drafted.

6. Completion of this project has always depended upon the financial support of the Russian government. However, when the resources that they agreed to provide - \$250,000 - had not been received, and all other financial resources for the project having been spent, the Secretariat had to curtail work on the Review at the end of March. In meetings between Minister of Economic Development and Trade Gref

and the Secretary-General, in May and again in Moscow in early June, the Russians noted that their contribution had been delayed by technical problems.

7. Second, Mr. Arkady Dvorkovich, our main contact and project co-ordinator, left the Ministry of Economic Development and Trade in early April to assume new responsibilities in the Presidential Administration.

8. The lack of movement to resolve these issues could well be explained by the radical restructuring of the government initiated by President Putin on 9 March 2004 for a radically streamlined structure for the federation government and for constituent bodies of federal executive power. The reform tackles issues such as the different types of government bodies, their respective roles, and the overarching accountability/subordination framework.

9. The remaining peer review meetings are a fundamental part of the process for a country review. The first of these, on capacity for quality regulation, was originally scheduled to take place at the current meeting of the Working Party on Regulatory Management and Reform. This is an especially key chapter as it addresses issues about policies, tools and institutions relevant to the sectoral chapters and to efforts to enhance competition and market openness. Due to delays in project implementation, the Secretariat has not been able to prepare a background report with the most timely and complete information which can be fact-checked by the Russian authorities. A full fledged peer-review meeting will be scheduled at an appropriate time.

10. Completion of the review is still highly desirable because regulatory reform is essential in Russia if other reforms are to improve the long-term prospects for growth and strengthen public governance. The process of preparing and completing a review sustains a policy dialogue which is likely to be of great interest and fruitful both to Member countries and the Russian authorities. The active co-operation of the Russian authorities is however necessary to carry this review forward.

11. Once completed, the report "Government Capacity to Assure High Quality Regulation in Russia" will be organised around four key. These include the institutional framework for regulatory reform, regulatory reform policies and core principles, administrative capacity for making new regulation and a number of recommendations and policy options. Annex 1 provides a detailed outline of the chapter.

12. Given that it had not been possible to prepare a full background report, the Secretariat has prepared this short note which describes recent initiatives aimed at reforming Russia's public administration.

The administrative environment in the Russian Federation

13. Russia stands at a central crossroads in its path of economic change. With vigorous reform implementation, the country can move forward to higher growth rates, improve social welfare, integrate with the global economy, and convergence in a number of policy areas with OECD countries. Then again, inadequate attention to overcoming the factors that have dogged Russia's past could lead to only modest growth and continued marginalisation in the global economy.

14. Since 2000, Russia has emerged from the unprecedented economic collapse and social distress of the early transition years. While fortuitous external factors have supported the economic recovery, at its core, Russia's economic renaissance has been based on good economic policies. Numerous legislative enactments have, in an array of critical economic policies, broached the reform logjam of the initial transition years.

15. The capacity to implement far-reaching reforms depends crucially on a well-functioning public administration. Both analytical and anecdotal evidence suggests that Russia's public administration has not always been able to achieve key policy goals such as achieving increased economic growth, reducing poverty and being able to compete effectively in the global economy. Moreover, the country's public administration has had difficulty in creating the conditions for growth in the SME sector and in providing appropriate social and other public services to the Russian population.

Recent initiatives to improve public administration capacities

16. The structure and functions of the federal government is a product both of its Soviet past and of the tumultuous early years of transition. The old Apparatus comprised a number of competing and overlapping structures with unclear internal and external accountability. These included the Government (ministries and other government bodies), the Government Apparatus (commonly known as the centre of government in OECD countries) and the Presidential Administration. The latter two structures often paralleled and duplicated policymaking role of line ministries. This resulted in weak accountability and fragmented decision-making. Moreover, the lack of clarity about the purpose of each different type of government body and of appropriate accountability arrangements between different types of government bodies significantly complicated internal coordination. This resulted in the wide use of inter-ministerial commissions to resolve complex inter-agency issues, which increased transactions costs and undermined the transparency of decision-making.

17. The Russian authorities have long recognised the need for a comprehensive reform of public administration. To this end, President Putin initiated a plan to reorganise the federal government on 9 March 2004. This plan envisages a radically streamlined structure for the federation government and for constituent bodies of federal executive power. The reform tackles issues such as the different types of government bodies; their respective roles; and the overarching accountability/subordination framework. The reform also aims to increase the effectiveness of government decision-making and policy management at the centre of government and overall government performance.

Streamlined Structure

18. A key feature of this reform is to reduce the hierarchy of different of government bodies. The old administration comprised six different layers of state body: ministries, state committees, federal commissions, federal services, agencies and federal inspections. The new structure consists of only three—ministries, services and agencies. However, while the hierarchical structure of the government has been streamlined, the overall number of government bodies has increased from 54 to 68.

Table 1. The Structure of the Federal Government

Old		New	
Ministries	23	Ministries	14
State Committees	6	Services	30
Federal Commissions	2	Agencies	24
Federal Services	13		
Agencies	8		
Federal Inspections	2		
Total	54		68

19. The new structure is based on government-wide functional analysis that was carried out over the in 2003.¹ This structure is built around five groups of functions:

- Adoption of legal/normative acts
- Control and supervision
- Application/implementation
- Management of state property
- Delivery of services

20. Ministries are responsible for the adoption of legal and other normative acts. They are the main source of all legislative initiatives - determining the policies and rules and undertaking legislative drafting. They undertake monitoring and evaluation of new and existing legislation. They are also tasked with managing the performance of services and agencies under their purview.

21. Services undertake control and supervision of compliance by state authorities, local authorities, private sector and individuals with the rules as set by ministries. They perform regulatory activities including the issuance of licenses and permits. Likewise, they undertake registration of acts, rights and other regulatory documents. Examples of services include the Federal Tax Service and the Federal Custom Service that report respectively to the Finance Economic Development and Trade Ministry.

22. Agencies prime tasks are to ensure the application and implementation of legal and regulatory provisions. In addition, they manage state property and undertake service delivery of state services.

23. There are a number of factors that distinguish services and agencies. For federal services the client is primarily the state, funding is from the federal budget and they will not be able to charge fees for work undertaken. For agencies, the client is the private sector and individual service users. While some funding comes via the federal budget, agencies may charge fees and thus generate their own income. Finally, agencies are able to outsource for the provision of some services.

24. The Government Apparatus also assumes a significant policy making role in Russia. The previous structure of the Government Apparatus mimicked the structure of the government itself and was criticised as an unnecessary duplication, in particular given its size. This generally weakened the role and status of line ministries. Conversely, active involvement in the regulatory and legislative process provided the Government Apparatus less time to focus on more strategic issues within the government.

25. In the current reforms, the size and role of the Government Apparatus have been radically restructured. Specifically, the current staff of over 1000 is to be reduced by over 20 per cent. Likewise, the number of departments will be cut from 23 to 12 by merging some and disbanding others. These reforms aim to abolish many duplicative functions and have them carried out solely by Ministries.

26. Paralleling these reforms, the cabinet has been restructured and reduced considerably. Most notable is the reduction in the number of Deputy Prime Ministers, which has decreased from six to one.

Table 2. The Structure of the Cabinet of Ministers

Old		New	
PM	1	PM	1
Deputy PMs	6	Deputy PM	1
Ministers	23	Ministers	14
No portfolio	2	Head of Apparat	1
Head of Apparat	1	Security Council	1
Total	33		18

27. The Russian Constitution gives the President strong powers, including the right to issue legally binding decrees and directives,² to appoint senior members of the judicial and executive branches (the President appoints the government composed of the Prime Minister, Deputy Prime Minister and federal ministers), and, in certain circumstances, to dissolve the lower house of Parliament. Consequently, the Presidential Administration sets and develops the main reform directions.

28. These reforms continue to give the President an important role in managing a significant share of the federal government. Most importantly, the five so call power ministries (Ministries of Interior, Emergency Situations, Foreign Affairs, Defence and Justice.) report directly to the President. In addition, seven services and two agencies are under presidential purview.

Implications

29. Implementing an administrative reform of this magnitude represents a significant challenge, the complexity of which cannot be under-estimated. It will require changing the ethos of the civil service - approximately 300,000 Federal civil servants and around 700,000 civil servants in regional and municipal levels of government – which appears at times little changed since the Soviet bureaucracy. Experience with similar reforms in OECD countries shows that significant improvements in efficiency and effectiveness can be obtained from such a programme, but only if accompanied by a clear vision, sustained commitment from political leadership, and significant investment in the reforms.

30. While the agenda may appear overwhelming, the Russian Federation authorities have made excellent progress towards putting in place the required legal, institutional and policy frameworks. A radically improved structure of the Federal Government is being implemented and an initial round of functional reviews have been completed. However, the successful and sustainable implementation of the programme lies ahead.

Draft recommendations

31. The recommendations covering public administration reform are likely to focus on a three key issues in order to ensure that efficiency gains from this restructuring are quickly realised. The first two recommendation focus exclusively on reform of the Government Apparat. The later one focuses more on civil service reform and changing the culture of the Russian bureaucracy. While not a specific recommendation, adequate budget resources need to be allocated to support the effective implementation and functioning of the new structures and systems. If this reform is under-funded, its success is likely to be jeopardised. The Government needs to consider creating a three- to five-year federal programme to cover the costs of implementing the proposed administrative and civil service reforms.

Restructure the Government Apparat to strengthen its capacity for strategic policy management.

32. Restructuring the Government Apparat will be essential if the new structure of government is to operate effectively. The administrative reform plan foresees that the Government Apparat would focus increasingly on government-wide strategic planning, policy evaluation and monitoring the substantive implementation of the overall government programme. This implies that the Government Apparat would suppress the work of sectoral departments and transfer policy responsibilities (and also possibly staff) to relevant government ministries.

33. Based on OECD countries' experience, the centre of government serves primarily as a co-ordinating body, whose main job is to make the diverse activities of individual ministries and agencies work effectively and coherently. Within this framework, the new functions of the Government Apparat could be developed along eight dimensions of co-ordination:

- Co-ordination of the preparation of the sessions of the Council of Ministers, including the preparation of the agenda and the distribution of material to participants;
- Co-ordination of activities to ensure legal conformity, including conformity of legal drafts with the Constitution and with the existing body of law;
- Co-ordination of the preparation and approval of the government's strategic priorities and work programme, and of ensuring their link to the budget;
- Co-ordination of the policy content of proposals for decision by the Council of Ministers, including defining the process of policy preparation by ministries, inter-ministerial co-ordination, and the fit of proposals with each other and with the government's priorities;
- Co-ordination of the government's communications activities to ensure the coherence of the government message, and effective timing and content of ministerial messages;
- Co-ordination of the monitoring of government performance to ensure that the government collectively performs effectively and keeps its promises to the public;
- Co-ordination of relations between the government and other parts of the state (President, Parliament); and
- Co-ordination of specific horizontal strategic priorities, such as public administration reform, regulatory reform or inter-governmental relations in federations.

Strengthen Regulatory Management Capacity at the Centre of Government by establishing an expert unit in the Government Apparat to promote regulatory policy and serve as the main forum for regulatory reform decision-making and co-ordination.

34. A vital step in strengthening the Government Apparat will be to integrate regulatory quality concepts and processes into the core policy-making machinery of government. Regulatory quality management is a permanent governance task aimed at ensuring that governmental regulatory functions contribute over time to the highest level of economic and social development. Individual ministries should be responsible for ensuring their adherence to regulatory quality principles in their day-to-day activities, while, to ensure consistency across the government, regulatory oversight should remain at the centre of government as a core management function.

35. A new *expert unit in the Government Apparatus* should be created to promote regulatory policy, as well as serve as the main forum for regulatory reform decision-making and co-ordination. The new unit should be designed to function within the context of the new government structure. It should have (i) authority to make recommendations for future reforms to the head of the Government Apparatus, (ii) capacities to collect information and coordinate the reform programme government-wide, and (iii) resources and analytical expertise to provide an independent opinion on regulatory matters. In the short run, the unit could assess the quality of RIAs submitted by ministries and prepare periodic public reports on progress by ministries in improving regulatory quality. As experience expands, the unit could develop capacities to advocate and design thematic and sectoral programmes of reforms, co-ordinated across relevant policy areas. The unit should, in two years, be able to develop performance targets, timelines, and evaluation requirements, review regulatory proposals from ministries against quality principles, and advise the centre of government on the quality of regulatory and reform proposals from regulatory ministries.

36. In OECD countries, the relationship between an effective, comprehensive regulatory policy and the existence of a central oversight body appears to be strong.¹ They are mutually supportive, and where one exists, the other is usually present. Central bodies going beyond improved coordination between existing bodies are therefore probably essential in some shape. These bodies help to ensure that regulatory quality principles are successfully applied. They perform a number of different functions to that end: an advocacy role, a challenge function (the critical assessment of RIA), and practical and technical support for the application of regulatory tools.

Implement systems and processes for delivering effective government performance

37. While it is important to complete the implementation of the new government structure, it is of much more importance to develop and implement the systems and processes which are required for the new structure to be able to operate effectively. Implementation of the new structure is in itself unlikely to secure the desired outcomes of administrative reform.

38. A number of initiatives could be taken in this area. First, the Government Apparatus could strengthen its capacity to monitor and evaluate the work of individual ministries/agencies. It is essential that such an initiative not be confused with expanded central control. In fact, over time, ministries should be delegated greater authority and be subject to reduced administrative controls. Monitoring by the Government Apparatus should be confined to the strategic level. Namely, it should ensure that the anticipated policy outcomes of the government's priorities are being achieved. A similar strategic focus will emerge with respect to performance budgeting and the relationship between the Ministry of Finance and line ministries.

39. Second, an integrated hierarchical system of performance management could be developed whereby key three-year and annual targets for each ministry/service/agency are formulated out of a disaggregation of the overall targets and priorities of the government's medium-term socio-economic program. Targets would then be developed for each directorate/department within the context of the ministry/service/agency-level targets. Finally, targets for individual employees and work groups would then be developed in the context of the directorate/department level targets. This performance management system would be fully integrated with the planned performance budgeting system.

¹ There has been a rapid shift in the location of these units toward the centre of government. Currently 20 of 22 countries with such units locate them either in the Prime Minister's Department/ Office of the President or else the budgeting agency, compared with fewer than half of the countries with dedicated reform bodies in 1996. This rapid shift suggests increasing recognition that the effectiveness of these bodies is enhanced by their being directly linked to the centres of political and administrative authority.

40. Third, the system would also include the upgraded staff performance appraisal system being developed in the context of implementation of civil service reform (and as foreseen in the draft *Law on the State Civil Service* currently before the State Duma). This approach would also have implication for how job descriptions for individual civil servants are developed and updated to ensure that these continue to reflect current key priorities. This would also need to be integrated with the approach to developing administrative regulations and procedures (*administrativnyye reglamenty*) for ministries/services/agencies.

41. Finally, these measures need to be complemented by strengthening transparency, external accountability, and external participation. Freedom of information needs to be established with robust processes for providing access to information. Once service standards have been developed, external accountability can be further strengthened through monitoring of actual performance against the standards, and the publication and dissemination to stakeholders of performance reports. Opportunities need to be identified for giving service users and stakeholders greater participation in decisions on services affecting them directly.

ANNEX 1

THE OECD REVIEW OF REGULATORY REFORM IN RUSSIA: WORKING OUTLINE**Chapter 2: Government Capacity to Produce High Quality Regulation****Summary of the Chapter**

Is national administration able to produce social and economic regulations that are based on the core principles of good regulation? Regulatory reform requires the development of administrative capacities within the public sector to judge when and how to regulate in a highly complex world. Administrative transparency, flexibility, policy co-ordination, understanding of markets, and responsiveness to changing conditions are increasingly important to policy efficiency and effectiveness.

This chapter will assess national capacities to make high-quality social and economic regulation, including the capacity to promote broad-based regulatory reform across the whole of the administration by building “drivers” of reform into the administration. The 1995 OECD Council Recommendation on Improving the Quality of Government Regulation describes a range of capacities, such as transparency of the national regulatory system, use of regulatory analysis to better understand the impacts of regulation, consultation with the affected public, and using alternatives to traditional controls. This chapter will also assess efforts to build such capacities over the medium-term, and to maintain regulatory quality in the future.

1. The institutional framework for regulatory reform in the Russian Federation***1.1 The administrative and legal environment in the Russian Federation***

This section will provide the national context for reform by discussing relevant institutional, administrative, and legal cultures and traditions in the Russian Federation. It will discuss how factors -- such as the administration/political interface, corporatist traditions and other means of social organisation, administrative openness and transparency, federalist system, and civil/administrative legal bases -- influence the direction, pace, and content of regulatory reform.

1.2 Recent regulatory reform initiatives to improve public administration capacities

This section will describe the objectives and direction of reforms to improve public sector regulatory performance in recent years, and assess how they have affected the capacities of the public administrative to produce high quality regulation. It will concentrate on government-wide reforms affecting the full range of policy areas -- such as environmental protection and health and safety -- rather than sectoral reforms.

2. Drivers of regulatory reform: national policies and institutions***2.1 Regulatory reform policies and core principles***

This section will look at the regulatory reform policies in place at the national level, assessing their scope and strategy for change, explaining the (explicit or implicit) policy framework that they promote, and identifying how they support the wider use of markets and competition to better achieve public policy

goals. It will also seek to identify reform drivers in circumstances where broad scale reform has occurred in the absence of a “regulatory reform policy”, and will examine links between regulatory reform policies and related policies such as structural adjustment policies, including corporatisation, privatisation and competition policy.

Possible Indicators in Section 2.1

Existence of a published government policy promoting systematic regulatory reform, its content and objectives

2.2. Mechanisms to promote regulatory reform within the public administration

The effectiveness of political and administrative mechanisms by which reform is promoted and monitored in the public administration is critical to its success. This section will discuss institutional arrangements that have been made to implement regulatory reform policies, including the links with competition and trade authorities and their role in ensuring those principles are reflected in domestic regulatory processes. The administrative and the political levels will be considered, as will be the importance of the country’s specific administrative/legal context. Arrangements for involving non-governmental bodies in regulatory reform will also be discussed.

Possible Indicators in Section 2.2

Organisation, tasks, and authorities of dedicated bodies for encouraging and monitoring regulatory reform

2.3. Co-ordination between levels of government

Regulatory systems are composed of complex layers of regulation stemming from subnational, national, and international levels of government. Where regulatory powers are shared between levels of government, as it is in the Russian Federation, co-ordination has proven to be an essential element of reform. This section will examine whether there are formal policies or mechanisms for co-ordination within and between different levels of government on regulation and its reform. Examples will be drawn from sectors such as telecommunications and electricity (chapters 5 and 6).

3. Administrative capacities for making new regulation of high quality

This section will give a detailed view of how current processes for making legislation and subordinate-regulations support application of core principles for good regulation. Its aim is to describe and evaluate systemic capacities to generate high quality regulation, and to ensure that both processes and decisions are transparent to the regulated public. As useful, it will give examples from policy areas such as environmental protection regulation. It will include the following sections:

3.1. Administrative transparency and predictability

Transparency is an important element of an efficient regulatory system for domestic and international markets. In addition, transparency serves important democratic values of fairness and accountability. Three dimensions of transparency will be considered:

3.1.1. *Transparency of procedures: administrative procedure laws*

Administrative procedure laws help ensure that stakeholders know what decisions have been made and how they are reached. This section will identify and describe any legislation that sets out standardised administrative and decision processes for making new regulations. Such procedures can improve predictability and openness, and can improve substantive quality by adding decision steps based on principles of good regulation.

Possible Indicators in Section 3.1.1

Type of justification required of the need for regulation.

3.1.2. *Transparency in decision criteria: proportionality*

OECD Members have agreed that regulations should be based on explicit quality criteria that identify when regulation is needed. Some governments have adopted strict analytical standards that benefits should justify costs, while others have adopted more general proportionality criteria. These criteria ask whether the size of the policy problem is sufficient to justify action and, if so, if the action proposed is the least cost option. Consideration of proportionality is important as a check against regulatory inflation and to ensure that standards of regulatory quality -- such as minimum trade restrictiveness -- are protected. This section will assess how proportionality tests are built into the administrative decision system.

3.1.3. *Transparency as dialogue with affected groups: use of public consultation*

Public consultation gives stakeholders the opportunity to have active input in regulatory decisions. This section will assess the consultation programmes used for regulation against several criteria: Are they systematic and routine? Are they open to all major interests? Are they efficient? Are they integrated into decision processes so that they actually improve regulatory quality? Are they themselves transparent?

Possible Indicators for Section 3.1.3

Indicators of the nature and extent of consultation and the openness of these processes

3.1.4. *Transparency in implementation of regulation: Communication, compliance and enforcement*

Transparency requires that the administration effectively communicate the existence and content of all regulations to the public, and that enforcement policies are clear and equitable. This section will discuss policies and practices affecting public access to, and understanding of, regulatory requirements and their ability to deal with regulatory authorities through clear and predictable processes.

Possible Indicators in Section 3.1.4

- *Existence and scope of a consolidated register of regulations*
- *The extent of use of “plain language” drafting styles.*
- *The existence and type of appeals processes against enforcement actions.*
- *The perceived extent of compliance and of the predictability and consistency of enforcement decisions.*

3.2. *Choice of policy instruments: regulation and alternatives*

Much reform is based on the use of wider range of policy instruments that work more efficiently and effectively than traditional regulatory controls. This section will discuss whether policies to promote the use of alternatives to traditional regulation have been implemented, by what means and with what degree of success. This will form a key indication of the extent to which more “market-oriented” approaches to promoting public policy objectives have been taken in the Russian Federation.

Possible Indicators in Section 3.2

- *Extent to which regulators identify and assess alternative policy instruments before adopting new regulation.*
- *Increase in the use of alternatives to command and control regulation in recent years.*

3.3. *Understanding regulatory effects: the use of Regulatory Impact Analysis (RIA)*

One of the most important tools for good regulation is an improved understanding of the impacts -- both policy-specific and broader impacts -- of regulation before it is adopted. RIA is the most common way of assessing impacts, and is a key means of implementing the principle of proportionality. This section will briefly summarise the use of RIA in regulatory development processes, including its scope, methodological approach, inputs from the public, and quality control processes. Understanding of the Regulatory Impact Analysis concept should not however be limited to one specific set of tools used homogeneously across the OECD countries and only by the OECD countries. Different methods of regulatory impact assessment have been developed so far within and outside of the OECD. This section will examine regulatory impact assessment methodology of the Russian Federation against the OECD best practices in this area.

Possible Indicators in Section 3.3

Various measures of the scope, content, methodology, and process of RIA at the national level.

3.4. *Building administrative skills through training*

Many governments have adopted policies of regulatory reform without investing in a skilled and trained civil service able to implement the policies. This section will examine if programmes for training administrators in reform skills are operating, the extent of training, and the content of the curricula.

3.5. *Building Regulatory Agencies*

This section looks at the principles and practises of establishing sectoral regulators. Which principles apply to these regulators appointment, independence, accountability, and rule making procedures.

4. **Dynamic change: keeping regulations up-to-date**

Regulations that are efficient today may become inefficient tomorrow, due to social, economic, or technological change. Most OECD countries have enormous stocks of regulation and administrative formalities that have accumulated over years or decades without adequate review and revision. This section will examine if the country has the capacity to systematically review and update the quality of national regulations. It will examine the level of review activity, the review strategies used, including how reviews are targeted, and the criteria used. Review methodology will be assessed in terms of the principles of good regulation (transparency, proportionality, impact assessment, choice of policy instruments) used in Section 3. Linkages with broader structural review programmes will be identified, in particular the implementation of competition principles. The use of programmes to reduce administrative burdens through by cutting “red-tape” and implementing new technologies will also be highlighted.

5. **Conclusions and policy options for reform**

5.1 *General assessment of current strengths and weaknesses*

This section will assess the effectiveness of the current administrative arrangements in producing high quality regulation, judged against the recommended policy framework for regulation and various quantitative and qualitative measures of effectiveness. It will summarise regulation-making capacities to highlight the degree of implementation of the OECD Recommendation on Improving the Quality of Government Regulation, and will provide an assessment of the relative position of the Russian Federation compared to the OECD Member countries.

Possible Indicators in Section 5

- *Indicators derived from the PUMA Multi-country Business Survey on the costs to firms of government red tape.*
- *Measures of changes in aggregate regulatory compliance costs over the last 2 years.*
- *Indicators of the frequency and impacts of regulatory reforms following from review activity.*

5.2 *The dynamic view: the pace and direction of change*

This section will take the medium to longer-term view, assessing the pace and direction of change in the country, and the likely prospects for further reform. It will discuss the extent to which underlying concepts of regulatory management and good regulation practices have become integral to political and administrative structures, that is, that good regulation has become part of the “culture” of governance.

5.3 *Potential benefits and costs of further regulatory reform*

This section will summarise the major policy objectives at stake -- including government and economic performance, employment, and other policy objectives -- with respect to improving the capacities of the public administration to produce high quality regulation. For each of those objectives,

and based on the assessment of strengths and weaknesses above, it will assess the potential benefits and the potential costs of further regulatory reform for the Russian Federation.

5.4 Policy options for consideration

What steps should be considered for the short to medium term that will have the greatest benefit for the Russian Federation? Based on the OECD recommendations and experiences in the OECD countries, this section will identify steps to strengthen the capacities of the national administration to develop regulation based on the core principles of good regulation.

5.5 Managing regulatory reform:

In some cases, the success of regulatory reform will depend not only on the policy content of the reform, but also on the strategy, pace, sequencing, accompanying targeted policies, and transitional arrangements for reform. This section will assess the general strategies used to advance regulatory reform, and management of policy linkages, including potential risks and costs.

¹ A functional review of the central government was carried out by the Ministry of Economic Development and Trade. A total of 5619 functions performed by the federal Government were identified. The review also attempted to identify those functions that could be performed by regional or municipal governments, self-regulatory organisations or market participants. As a result, 256 (4.55%) functions were classified as redundant and a further 124 (2.21%) as potentially redundant. The Ministry proposed to revoke 218 of the redundant functions, transfer 14 to the regions and municipalities, transfer 15 to governmental organisations and transfer 9 to self-regulatory organisations.

² Although presidential decrees are formally acts of the executive body, they have *de facto* equal legal effect with federal statutes. They should comply with the Constitution and federal laws, but it was not always the case. The decrees were widely used during the 1990s and often countermanded existing legislation. Considerable work is now being undertaken in order to reconcile these discrepancies and to develop more codified legislation and regulations.