

**Reset Within Russia?:
*A Comparative Governance Perspective***

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“The Risks of the Reset”,

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The Worldwide Governance Indicators (WGI)

Governance: set of institutions by which authority in a country is exercised – *specifically*:

- **Political cluster: the process by which those in authority are selected and replaced**

1. VOICE AND ACCOUNTABILITY

2. POLITICAL STABILITY & ABSENCE OF VIOLENCE/TERRORISM

- **Economic cluster: the capacity of government to implement policies and provide public services**

3. GOVERNMENT EFFECTIVENESS

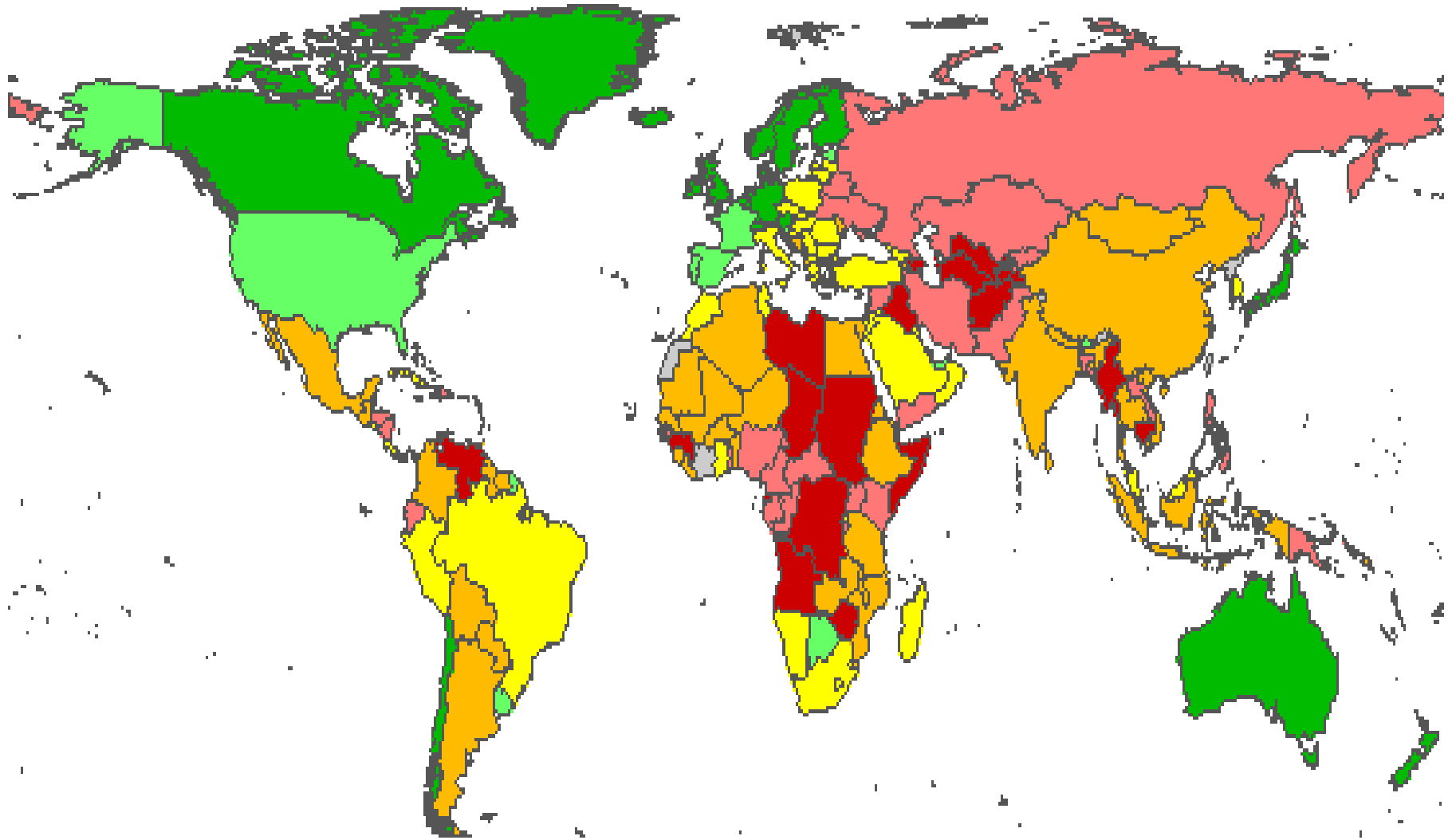
4. REGULATORY QUALITY

- **Institutional cluster, the respect for institutions governing interactions among citizens & the state**

5. RULE OF LAW

6. CONTROL OF CORRUPTION

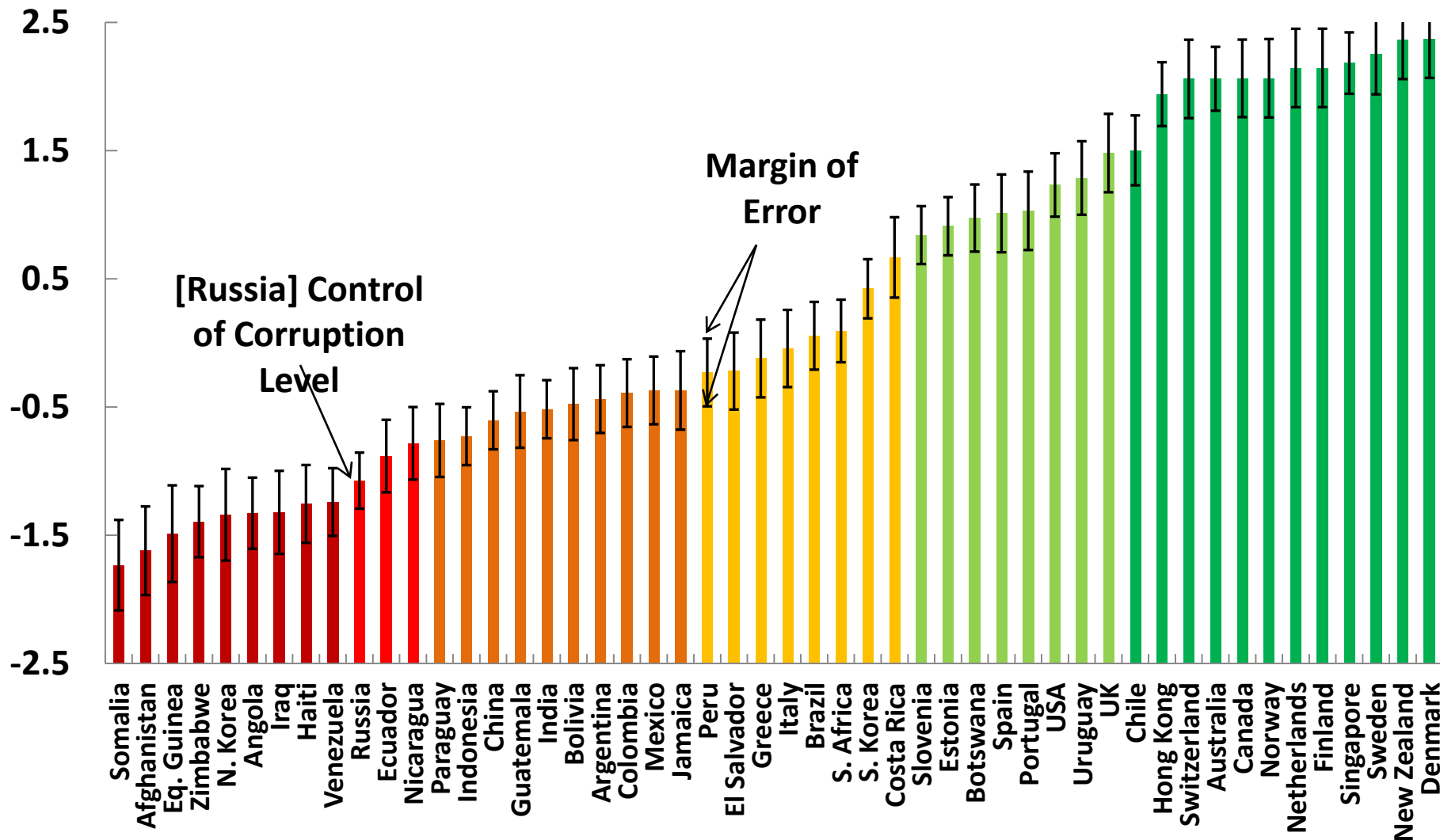
Control of Corruption, WGI



Source: "Worldwide Governance Indicators," by D. Kaufmann, A. Kraay and M. Mastruzzi, October 2011 – www.govindicators.org; Dark red indicates countries in the bottom 10th percentile rank; light red between 10th and 25th percentile rank; orange between 25th and 50th; yellow between 50th and 75th; light green between 75th and 90th and Dark green between 90th and 100th percentile (exemplary governance)

Control of Corruption Worldwide, WGI, end-2010

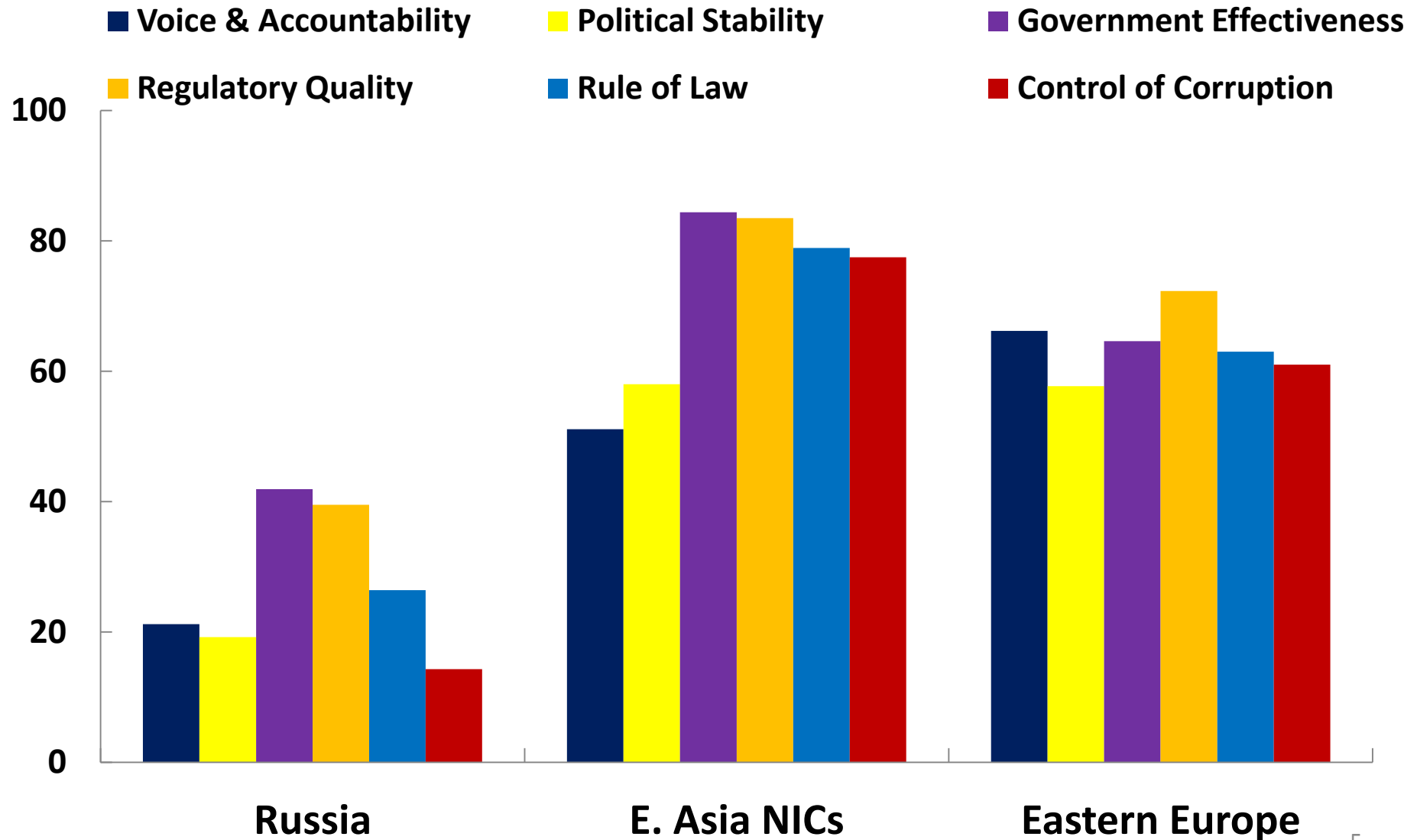
Good Corruption Control



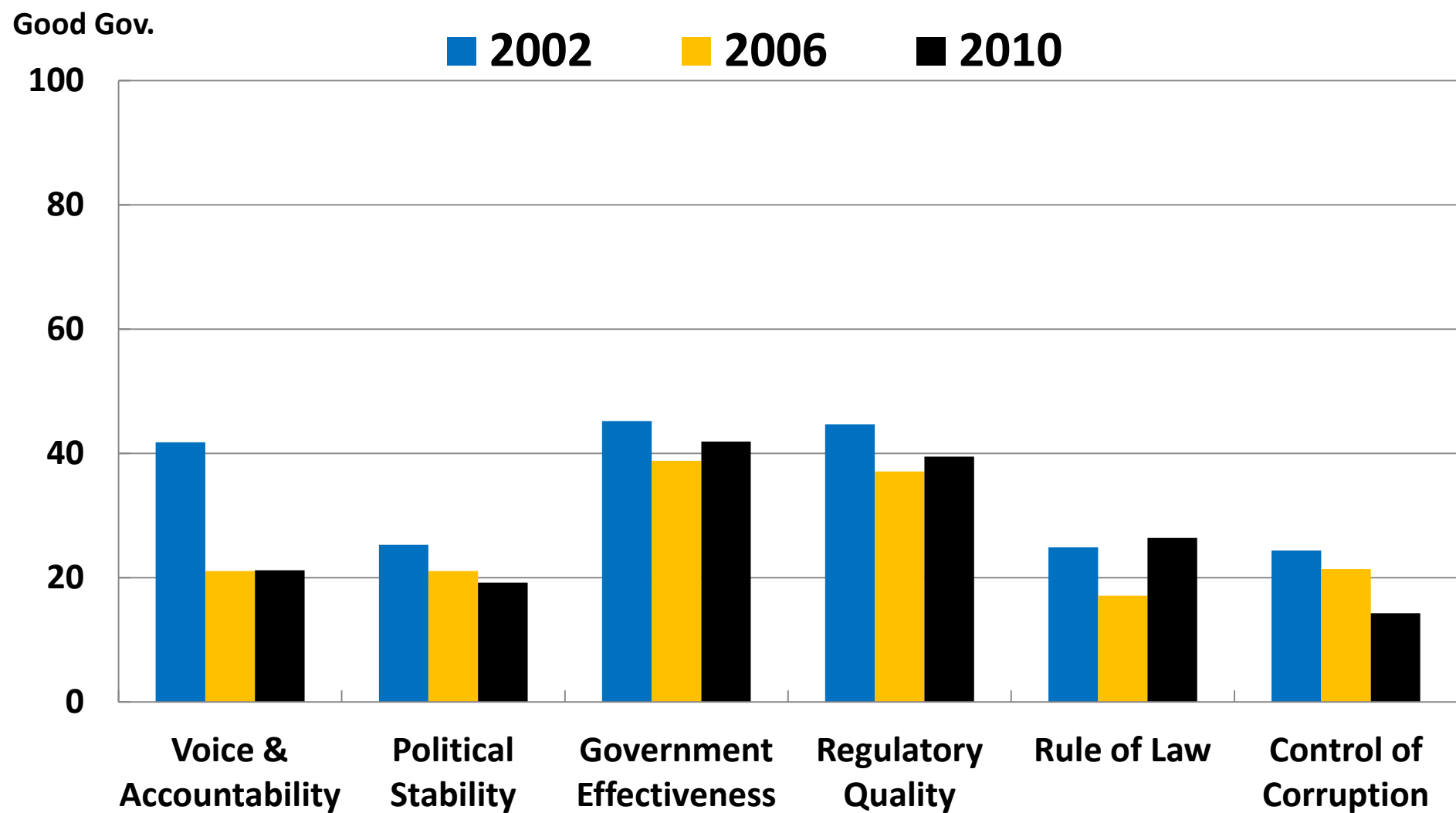
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Quality of Governance in Russia in Global Perspective, WGI 2010

Good Gov.

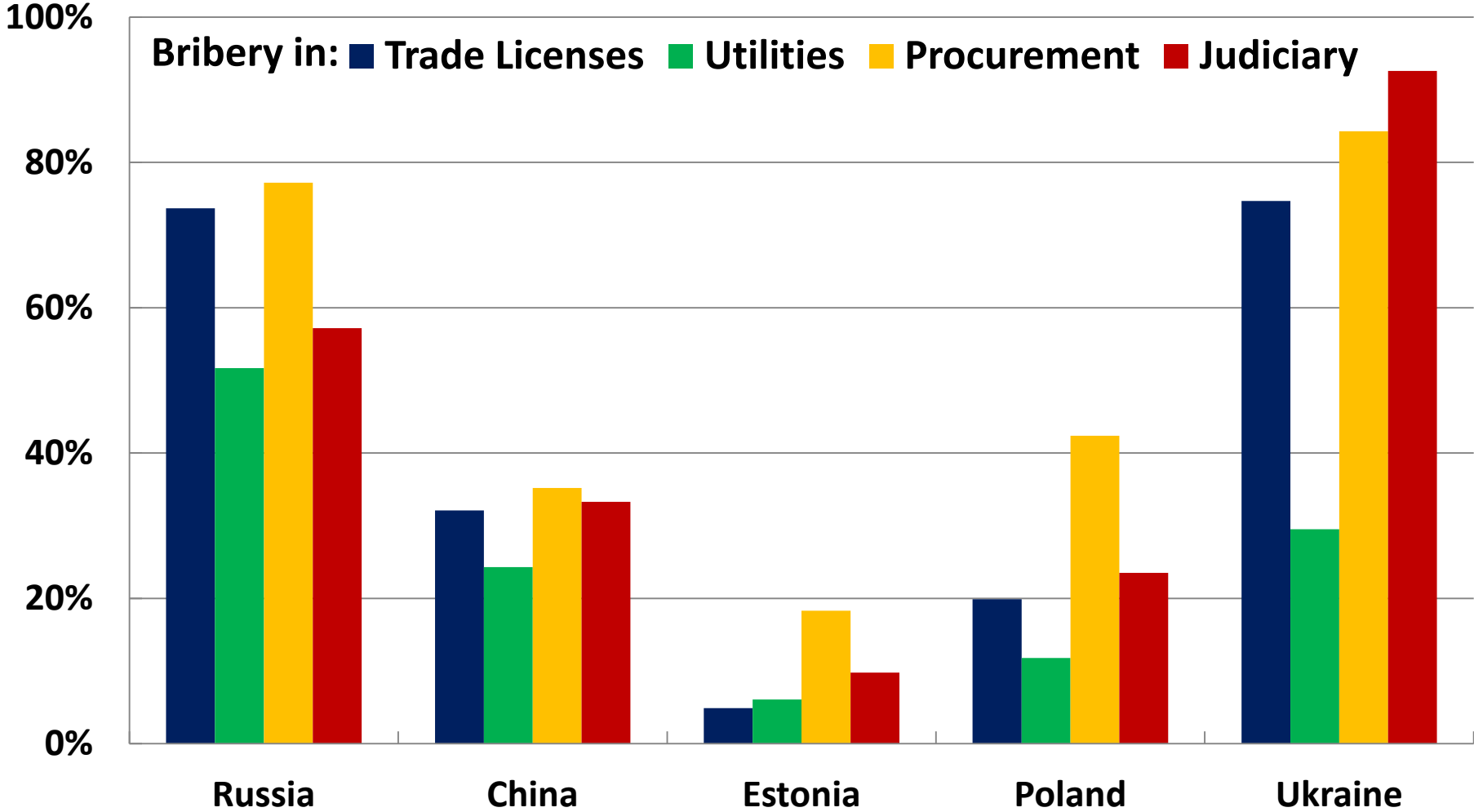


Russia: Change in Governance 2002-2010



Unbundling Corruption in Russia: What do Firms Bribe for?

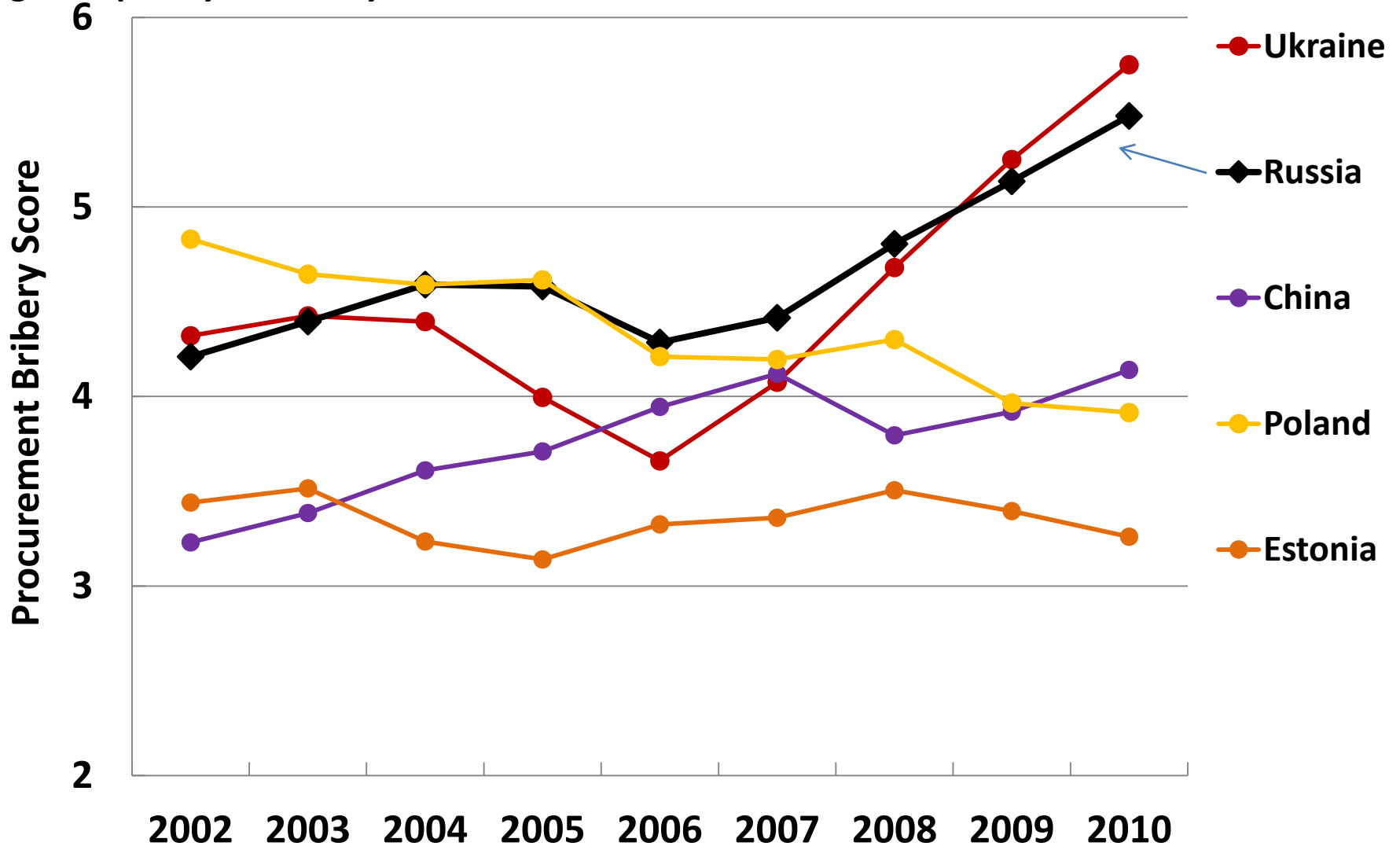
% of Firms Bribe Frequently



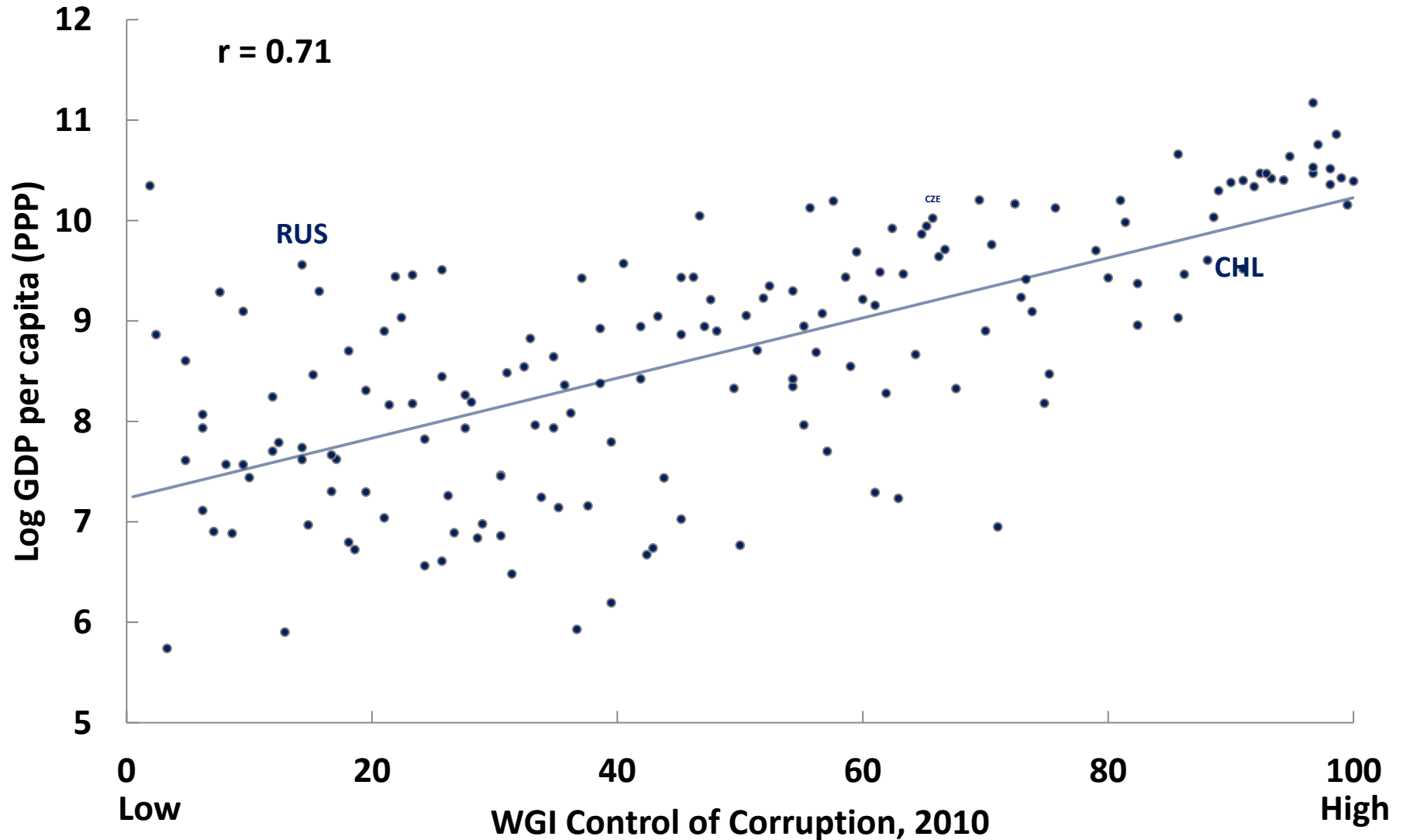
Source: EOS firm survey, WEF2010 – 121 countries. Question: In your industry, how commonly firms make undocumented extra payments or bribes connected with permits / utilities / taxation / awarding of public contracts / judiciary? (common...never occurs).

Russia Bribery in Procurement, 2002-2010

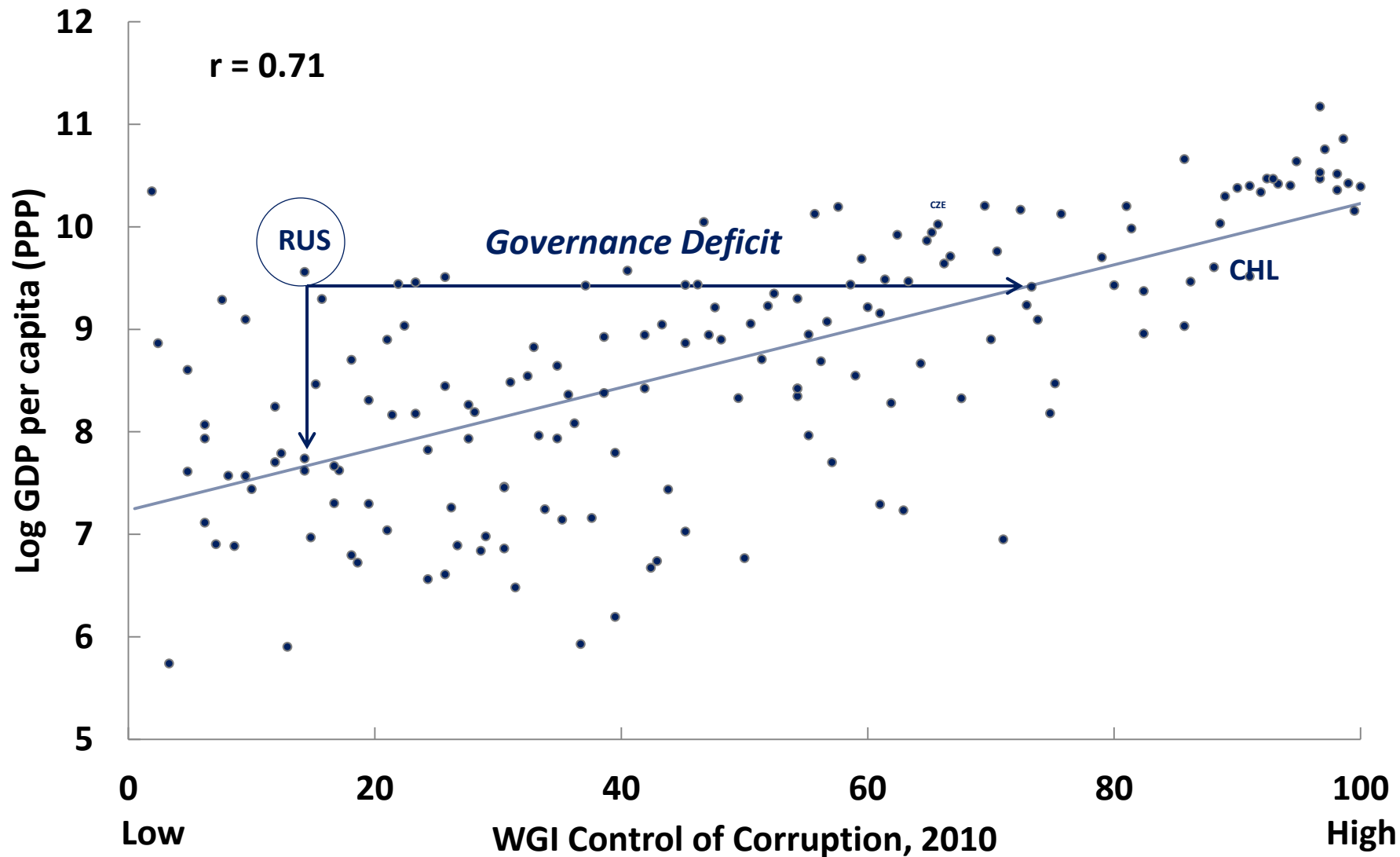
High Frequency of Bribery



Control of Corruption & National Incomes: *300% Development Dividend of Good Governance*



Control of Corruption & Income per Capita: Governance Deficit & Economic Vulnerability



World Bank 'Doing Business' Rankings, 2011 (out of 183 countries)

	Russia	Hungary	Czech Republic	Poland	S. Korea
<u>Ease of Doing Business Index</u>	<u>120</u>	<u>51</u>	<u>64</u>	<u>62</u>	<u>8</u>
Starting a Business	111	39	138	126	24
Construction Permits	178	55	68	160	26
Getting Electricity	183	103	148	64	11
Registering Property	45	43	34	89	71
Getting Credit	98	48	48	8	8
Protecting Investors	111	122	97	46	79
Paying Taxes	105	117	119	128	38
Trading Across Borders	160	74	70	46	4
Enforcing Contracts	13	19	78	68	2
Resolving Insolvency	60	66	33	87	13

Source: World Bank Doing Business, 2011, 183 countries ranked

FDI into Russia: Comparative Perspective

Country	Annual FDI (mns.)	FDI per capita
Brazil	48,400	249
Russia	41,200	288
India	24,600	20
China	105,700	80
Chile	15,100	882
Germany	46,100	561
Estonia	1,500	1,148

Russia WEF Global Competitiveness Ranking, Compared (1)

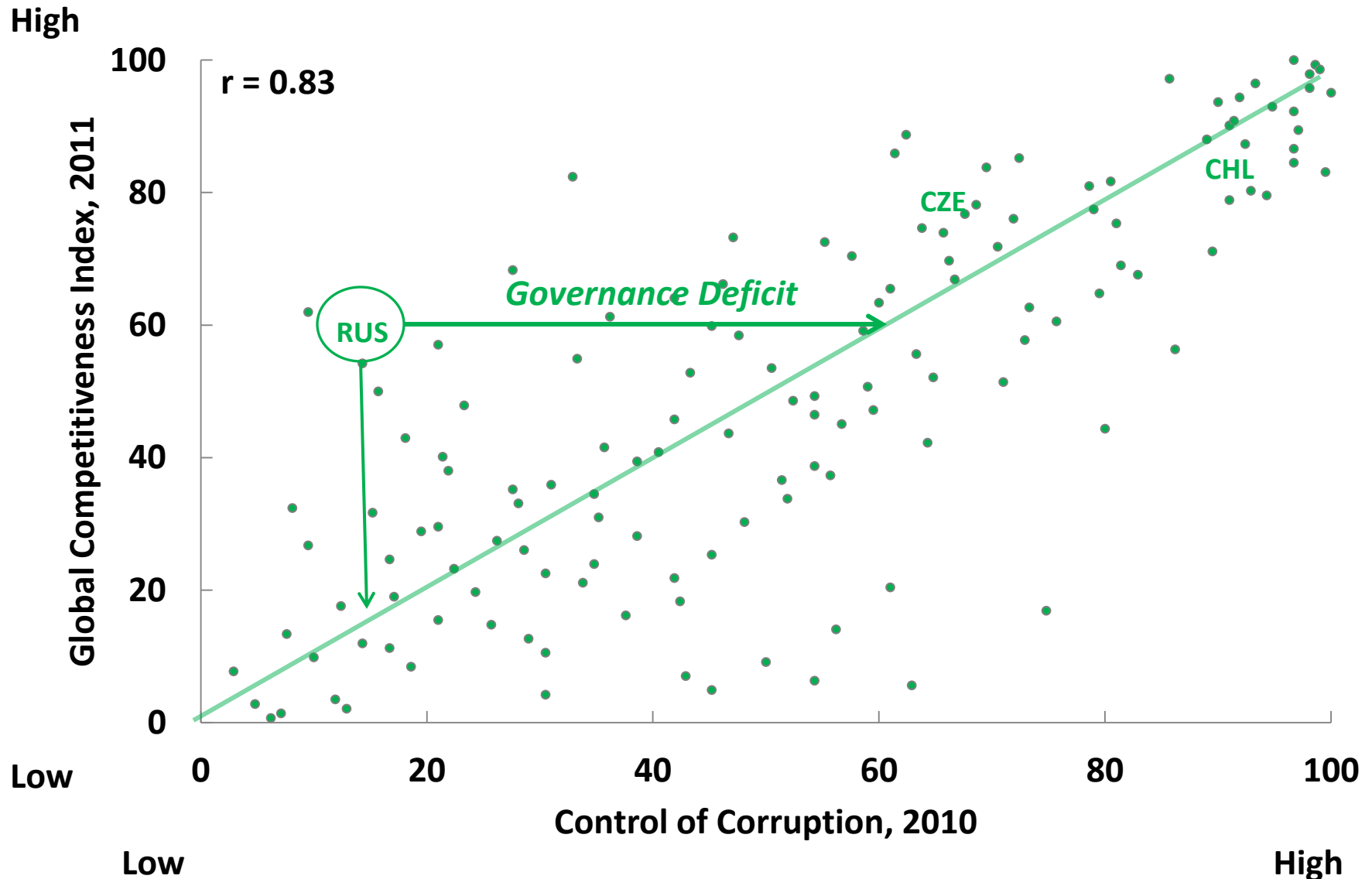
	Russia	Czech Republic	Poland	Brazil	S. Korea
Global Competitiveness Rank (out of 143)	<u>66</u>	<u>38</u>	<u>41</u>	<u>53</u>	<u>24</u>
Institutions	128	84	52	77	65
Infrastructure	48	36	74	64	9
Macroeconomic Environment	44	43	74	115	6
Health and Primary Education	68	51	40	87	15

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Global Competitiveness: Efficiency Enhancer & Innovation and Sophistication Rankings

	Russia	Czech Republic	Poland	Brazil	S. Korea
Higher Edu. & Training	52	30	31	57	17
Goods Market Efficiency	128	36	52	113	37
Labor Market Efficiency	65	42	58	83	76
Financial Market Dev	127	53	34	43	80
Technological Readiness	68	31	48	54	18
Market Size	8	40	20	10	11
Business Sophistication	114	36	60	31	25
Innovation	71	33	58	44	14

Corruption Control & Global Competitiveness



Reset on Russia Reset: A domestic dimension?

- **Subpar performance on governance, across the board**
- **Subpar investment climate & Doing Business environment**
- **Both subpar in terms of level/quality today, and trends**
- **Medium/Longer Run: Economic & Competitiveness Risks**
- *Possible sources of homegrown demand for improved governance & investment climate?*