

# Moscow Ranked Last for Doing Business

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A new World Bank survey ranks Moscow the worst of 30 Russian cities in which to do business.

The ranking is a major embarrassment for Mayor Sergei Sobyenin, who has promised that companies would face fewer hassles.

“This is a serious negative signal for us to change the situation, and that’s what we are trying to do,” Deputy Mayor Andrei Sharonov said in an interview on the sidelines of the St. Petersburg forum, where the survey was released.

The global version of the Doing Business survey for Russia in general is significantly skewed because it uses Moscow as a basis for its conclusions about the entire country.

The latest worldwide Doing Business report was released in October. It rated countries across 10 indicators.

Out of 183 economies, Russia was ranked 120th on the ease of doing business.

But Russia is also among the 30 national economies that improved the most since 2005 by making regulations more business-friendly.

On the domestic front, Ulyanovsk, Saransk and Vladikavkaz won the top three spots, respectively, in the Doing Business in Russia 2012 survey.

The researchers judged cities in four areas: starting a business, registering property, obtaining construction permits and connecting to the electrical grid.

Moscow did make changes for the better, but it still lags behind many other cities in the report.

Since the previous measurement in 2008, the time required to get construction permits in the city dropped from “almost two years” to 392 days last year, the World Bank said.

The national average, however, went down to 269 days from 520 days, or by almost 40 percent, the bank said.

Part of the reason Moscow takes longer to issue construction permits is its sprawling subway system.

To comply with requirements for building a warehouse and connecting it to utilities, businesses need to go through as few as 16 steps in Murmansk but 47 in Moscow, the World Bank found.

Another area where Moscow especially stands out is the huge cost of getting hooked up to the electrical grid, which exceeded even the notoriously expensive levels of Vietnam and Nigeria.

Connection charges, which typically consist of payments to distribution utilities and private firms that do connection design and work, run as high as 1,852 percent of income per capita, or \$183,575. Samara is just a tiny notch below.

Vietnamese businesses pay an average of 1,342 percent of income per capita, and Nigerian counterparts pay 1,056 percent.

The average for Russia is 661.5 percent, about the same as in Turkey and China but much more than in Brazil, where the rate is 130 percent.

Sharonov, the deputy mayor, acknowledged that obtaining construction permits and getting electricity are indeed “much more difficult” in Moscow than in many other Russian cities.

He said City Hall is reconsidering the regulations for both areas, trying to eliminate some phases and compress the rest.

The ultimate goal, he said, is to make it possible for business owners to submit a single application rather than have to make trips to the offices of multiple city authorities.

“We are trying to create a one-stop shop where the applicant could submit a request, and the rest would be the city’s problem rather than the problem of the applicant,” Sharonov said.

Also, City Hall has made progress since the World Bank did its analysis for the survey, he said.

The city created a central office for protecting business rights and interests, which then reduced the time for getting construction permits by 50 percent.

Retail kiosks have since been able to get electricity in 15 days, down from at least three months.

Russian cities ranked very high on the global scale in two other factors.

“Registering property is easy and cheap in Russia,” the survey said. “Registration fees are among the lowest in the world.”

The average start-up cost of 2.3 percent of income per capita places Russia among the 30 cheapest economies worldwide to start a business, the World Bank said.

No single domestic city outperformed the others in all areas.

It is easiest to start a business in Saint Petersburg, deal with construction permits in Surgut, connect to electricity in Saransk and register property in Kaluga, the World Bank said.

The first Doing Business in Russia survey gauged conditions in 2008 and came out the next year. It covered 10 cities based on four criteria.

One of the indicators, trading across borders, was replaced in the latest survey by the one about getting electricity.

Andrew McChesney contributed from St. Petersburg.

<b>Economy</b>	<b>Ease of Doing Business Rank</b>	<b>Starting a Business</b>	<b>Dealing With Construction Permits</b>	<b>Getting Electricity</b>	<b>Registering Property</b>
Ulyanovsk	1	3	4	5	8
Saransk	2	20	8	1	8
Vladikavkaz	3	27	11	2	2
Rostov-on-Don	4	26	15	3	4
Kazan	5	4	14	17	4
Kaluga	6	17	9	15	1
Stavropol	7	4	2	9	19
Yaroslavl	8	7	17	6	16
Surgut	9	30	1	19	8
Irkutsk	10	8	6	10	18
Petrozavodsk	11	6	16	21	8
Kirov	12	13	5	4	20
Omsk	13	19	20	13	4
Vyborg	14	10	23	12	8

Vladivostok	15	18	22	23	3
Volgograd	16	2	27	26	4
Voronezh	17	15	28	16	8
Tver	18	21	25	14	8
Kaliningrad	19	11	3	22	22
Tomsk	20	15	6	10	25
Samara	21	22	24	28	8
St. Petersburg	22	1	9	24	27
Khabarovsk	23	24	29	8	17
Yekaterinburg	24	29	13	19	20
Perm	25	13	12	18	27
Murmansk	26	12	19	27	23
Kemerovo	27	28	21	7	29
Yakutsk	28	8	26	25	30
Novosibirsk	29	23	18	29	24
Moscow	30	25	30	30	26

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