



# Doing Business in Russia 2009

COMPARING REGULATION IN 10 CITIES AND 181 ECONOMIES





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Copies of *Doing Business 2009*, *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth*, and *Doing Business in 2004: Understanding Regulation* may be obtained at [www.doingbusiness.org](http://www.doingbusiness.org).

*Doing Business in Russia 2009* and other subnational and regional *Doing Business* studies can be downloaded at no charge at <http://subnational.doingbusiness.org>.

# Contents

*Doing Business in Russia 2009* is the first sub-national report for Russia in the *Doing Business* series, initially launched in 2003. In the global *Doing Business* report, Russia is represented by Moscow, the most populous city. *Doing Business in Russia 2009* measures business regulations and their enforcement across 10 Russian cities. Comparisons with the rest of the world are based on the indicators in *Doing Business 2009*, the 6th in a series of annual reports published by the World Bank and the International Finance Corporation. The indicators in *Doing Business in Russia 2009* are also comparable with the data in other subnational *Doing Business* reports. All *Doing Business* data and reports are available at [www.doingbusiness.org](http://www.doingbusiness.org).

The first subnational *Doing Business* study was launched in Mexico in 2005, comparing efficiency of business regulations by Mexican states. It helped spark regional and municipal reforms by stimulating competition among Mexican states.

The *Doing Business* series investigates the regulations that enhance business activity and those that constrain it. In this project, quantitative indicators of business regulations and their enforcement have been constructed and applied to 10 regions of the Russian Federation: 8 regions are represented by their largest cities. St. Petersburg and Moscow are so large that they constitute separate regions (“subjects of the Russian Federation”). The 10 cities compared in this study are: Irkutsk, Kazan (the Republic of Tatarstan), Moscow, Perm, Petrozavodsk (the Republic of Karelia), Rostov-on-Don, St. Petersburg, Tomsk, Tver and Voronezh (table 1.1). These 10 cities can now com-

pare themselves to one another and to 266 cities and municipalities worldwide within 181 countries currently covered by *Doing Business* reports.

This report covers 4 topics: starting a business, dealing with construction permits, registering property and trading across borders.

Data of *Doing Business in Russia 2009* are current as of January 2009. The data for the report was collected in 2007 and updated in 2008. Comparisons with Moscow and other countries are based on the indicators in *Doing Business 2009*.

The *Doing Business* methodology has limitations. In order to make the data comparable across countries and regions, the indicators refer to a specific type of company—generally a limited liability company—and to standard cases.

This study was requested by the Ministry of Regional Development of the Russian Federation to the World Bank Group, represented by ICAS, the Investment Climate Advisory Service ([www.wbginvestmentclimate.org](http://www.wbginvestmentclimate.org)), and supported by the participating regional administrations. The letter inviting expression of interest in the project was sent to 19 economically significant Russia’s regions of which 9, first to respond, were included into the study. The city of Moscow was added as the country’s largest city which has been part of *Doing Business* global reports since 2004. The 10 cities in this study and the regions where they are located are highlighted on the map.

The report was prepared with assistance of the Foundation “Center for Strategic Research “North-West” ([www.csr-nw.ru](http://www.csr-nw.ru)), located in St. Petersburg.

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#### Population

	thousands	percent of total
Russian Federation	142,200	100.00
10 surveyed cities	20,753	14.59
Moscow	10,443	7.34
St. Petersburg	4,571	3.21
Kazan	1,116	0.78
Rostov-on-Don	1,052	0.74
Perm	990	0.70
Voronezh	841	0.59
Irkutsk	576	0.40
Tomsk	493	0.35
Tver	406	0.29
Petrozavodsk	266	0.19

Note: Population as of 1 January 2007 (estimated).

Source: Russia Federal State Statistical Service, [www.gks.ru](http://www.gks.ru).

# Overview

TABLE 1.1  
**Doing Business in Russia:  
where is it easiest?**

1	Kazan (easiest)
2	Tver
3	Petrozavodsk
4	Rostov-on-Don
5	Tomsk
6	Irkutsk
7	Perm
8	St. Petersburg
9	Voronezh
10	Moscow (most difficult)

Source: *Doing Business* database.

For the 5th year in a row Eastern Europe and Central Asia led the world in *Doing Business* reforms. As measured by the *Doing Business 2009* report, 26 of the region's 28 economies implemented a total of 69 reforms. Since 2004 *Doing Business* has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening up access to credit and enforcing contracts by measuring their impact on 10 indicator sets. Nearly 1,000 reforms with an impact on these indicators have been captured. Eastern Europe and Central Asia has accounted for a third of them. The region surpassed East Asia and Pacific in the average ease of doing business in 2007—and maintained its place this year. Four of its economies—Georgia, Estonia, Lithuania and Latvia—are among the top 30 in the overall *Doing Business* ranking.

Rankings on the ease of doing business do not tell the whole story about an economy's business environment. The indicators do not account for all factors important for doing business—for example, macroeconomic conditions, infrastructure, workforce skills or security. But improvement in an economy's ranking does indicate that its government is creating a regulatory environment more conducive to operating a business. In Eastern Europe and Central Asia many economies continue to do so—and economies in the

region once again dominated the list of top *Doing Business* reformers in 2007/08. New this year: reforms in the region are moving eastward as 4 newcomers join the top 10 list of reformers: Azerbaijan, Albania, the Kyrgyz Republic and Belarus.

Russia, represented by Moscow, ranked 120th out of 181 countries in 2009. The cumulative score was based on Moscow's performance on all 10 indicators. Russia's best performance was on enforcing contracts: it ranked 18th out of 181 countries. Russia's poorest performance was on dealing with construction permits (in order to build a warehouse): it placed 180th out of 181 countries.

*Doing Business in Russia 2009* is the first attempt to evaluate business regulations in 10 Russian cities, as measured by the following 4 *Doing Business* indicators:

1. Starting a business
2. Dealing with construction permits
3. Registering property
4. Trading across borders

These 4 indicators were selected from the global 10 for two main reasons. First, 2 indicators were notable because of Russia's poor performance in them. They were: dealing with construction permits (as discussed above) and trading across borders (in which Russia also scored near the bottom, at 161st place). Second,

an effort was made to select indicators where certain regional variations were observed. Because federal procedures cover both business and property registration, regional variations might not be expected—yet they were observed, and this too is noteworthy.

The performances of the 10 Russian cities evaluated in this report on the ease of business regulations and their enforcement vary widely. While all local governments share the same legal and institutional framework, they also interpret and implement national regulations differently. Much reform, both at the national and local level, is needed to reduce the high number of procedures, length and cost to start a business, deal with construction-related activities, transfer a property title and simplify requirements to trade across Russia. Kazan is the easiest city to comply with regulatory formalities among the 10 Russian cities, while Moscow is the most difficult one. Kazan outperforms the other 9 cities measured in this study on the ease of doing business due to its relatively efficient procedures for starting a business and registering property, and faster than the regional average on dealing with construction permits and trading across borders.

All methodological details and definitions can be found in the Data Notes.

# Starting a business

TABLE 2.1  
Where is it easy to start a business—and where not?

City	Procedures (number)	Time (days)	Cost (rubles)	Cost (US\$)	Cost (% of income per capita)	Minimum paid-in capital (% of income per capita)	Rank
Rostov-on-Don	13	22	3,545	118	1.6	2.2	1
Kazan	10	34	3,000	100	1.3	2.2	2
Irkutsk	13	23	4,220	140	1.9	2.2	3
Tver	10	27	4,870	162	2.1	2.2	3
Voronezh	14	24	4,150	138	1.8	2.2	5
Petrozavodsk	10	37	4,700	156	2.1	2.2	6
Tomsk	13	24	4,995	166	2.2	2.2	7
Moscow	9	30	6,200	206	2.7	2.2	8
St. Petersburg	11	29	4,900	163	2.2	2.2	9
Perm	10	36	5,110	170	2.2	2.2	10

Source: Doing Business database.

*Doing Business* records the time, cost, procedures and paid-in minimum capital required for an entrepreneur to start up and formally operate an industrial or commercial business. The process includes obtaining all necessary licenses and permits as well as completing required notifications, verifications or inscriptions with the relevant authorities (figure 2.1). After a study of the laws, regulations and publicly available information on business entry is conducted, a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances. Subsequently, local incorporation lawyers and government officials help complete and verify the data.

Easier start-up is correlated with higher productivity among existing firms. A recent study analyzing 97 countries found that reducing entry costs by 80% of income per capita increased total-factor productivity by an estimated 22%. Analyzing 157 countries, the study found that the same reduction in entry costs raised output per worker by an estimated 29%.<sup>1</sup> One reason for these striking productivity gains may have been that reducing entry costs increased competition, and pushed firms with lower productivity out of the market.

Simpler and faster business start-up procedures make it easier for workers and capital to move across sectors when

economies experience economic shocks. A recent study of 28 sectors in 55 countries compared sectoral employment reallocation in the 1980s and 1990s. The conclusion: reallocation was smoother in countries where it took fewer days to start a business.<sup>2</sup> This finding was confirmed by a number of other studies on the effect of entry regulation in economies opening their product markets to trade.<sup>3</sup> The explanation is simple: when start-up costs are high, it is harder for firms to open up in the sectors benefiting the most from trade openness. This friction reduces the value of greater openness.

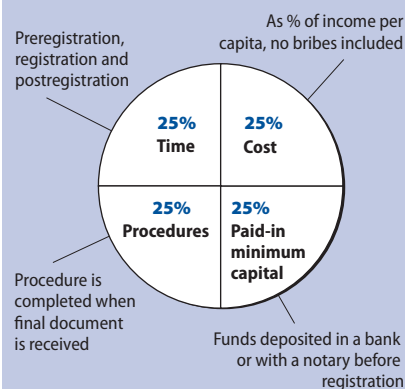
Russia improved business registration procedures with the federal law “On registration of legal entities and sole proprietors,” adopted in 2001. Under this law, the Federal Tax Service became the main agency for business registration. A one-stop shop (OSS) for registration was introduced. As a result, the simplified business registration had a positive impact on new entries. Between 2003 and 2004, the number of new businesses increased by 14%.<sup>4</sup>

More can be done. In 2009, Russia—represented by its capital and most populous city Moscow—required 9 procedures that took 30 days and cost 2.7% of gross national income (GNI) per capita to complete. It ranked 65th out of 181 economies on the ease of starting a business. At the top of the global start-up charts, New Zea-

land required only 1 procedure and 1 day, while Canada required 1 procedure and 5 days and Australia required 2 procedures and 2 days to start a company.

Regulated by federal law, business registration requirements are supposed to be uniform throughout Russia. However, the performance in terms of time, number of procedures and cost of the 10 Russian cities evaluated in this report varied significantly. Rostov-on-Don is the easiest city of the 10 to launch a business in Russia—13 start-up procedures take 22 days and cost 1.6% of GNI per capita. Kazan is the runner-up. Perm has the most burdensome start-up requirements—an entrepreneur has to carry out 10 procedures that take 36 days and cost 2.2% of GNI per capita (table 2.1).

FIGURE 2.1  
Rankings on starting a business are based on 4 subindicators





## PROCEDURES AND TIME

In accordance with Russian law, local divisions of the Federal Tax Service are authorized to register new businesses and issue a unique taxpayer identification number (“INN”). Designated local tax inspectors receive all required documents specified in the law and register a new legal entity in up to 5 working days. This timeframe also includes the issuance of the INN. Legally, companies are identified by their INN instead of by name, since the Russian system doesn’t require a unique trade name for registration.

By law, the Federal Tax Service now operates one-stop shops (OSS) which include registration with 3 social funds

(the Pension Fund, the Social Security Fund and the Fund of Mandatory Medical Insurance) as well as the Federal State Statistics Service. As part of the OSS –once state registration and INN application are filed—the tax authorities send the necessary information to the 3 funds and the statistics service within 5 working days. Based on this information, the funds and the statistics service register the new business in their databases within 5 more working days and confirm it in a letter to the tax authorities within another 5 working days. As prescribed by law, the whole sequence of registration procedures should take no more than 4 weeks, but it may take longer (figure 2.2).

However, the one-stop shop prin-

ciple is not fully practiced and is limited to information exchange between the state agencies. Because each city has its own practice for confirmations, it may be faster for an entrepreneur to move the papers him/herself. In fact, sometimes the entrepreneur has to. In the districts of Perm, for example, the 3 funds require the physical presence of the registrant, undermining the OSS concept. In some other cities, letters from the 3 funds are mailed directly to the applicant. In sum, the OSS concept does not always work.

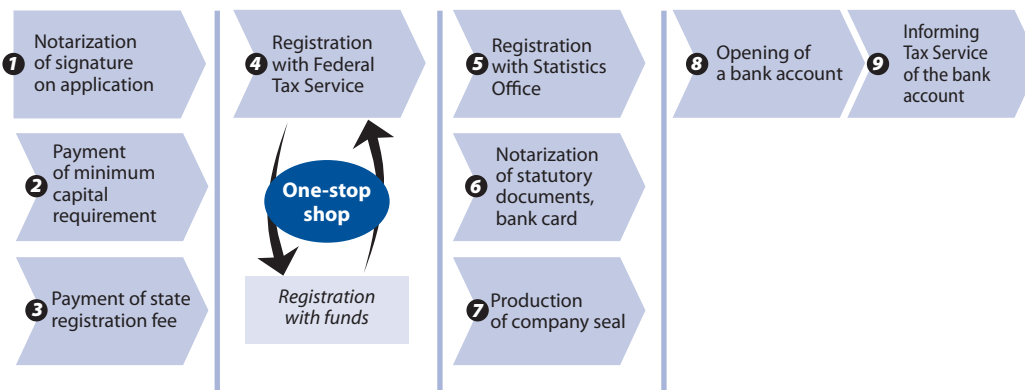
Given the option, entrepreneurs often visit the 3 funds and the statistics service themselves in order to speed up and keep track of the registration process. Indeed, many firms learned that

FIGURE 2.2

### Procedures for starting a business—with and without a one-stop shop

Steps shown vertically may be performed simultaneously

#### a. Typical one-stop shop



#### b. Without a one-stop shop (Voronezh)

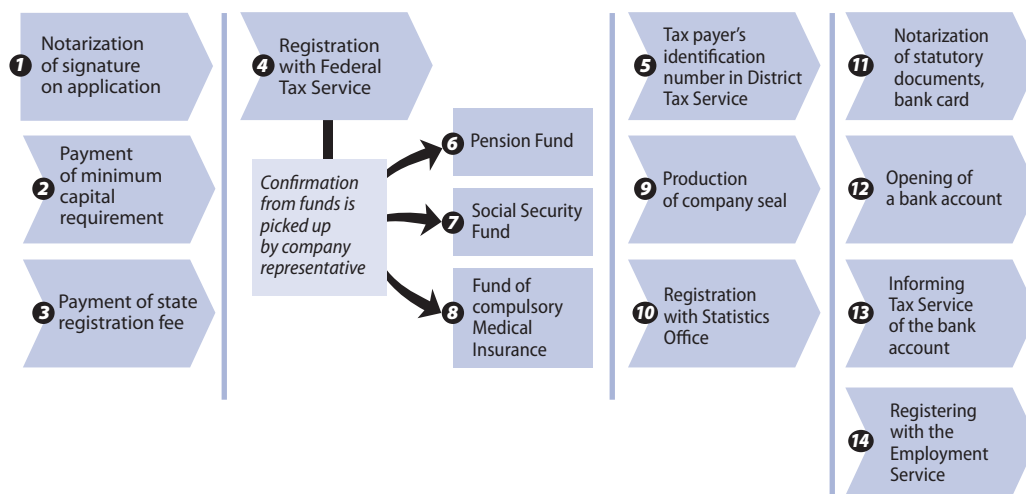
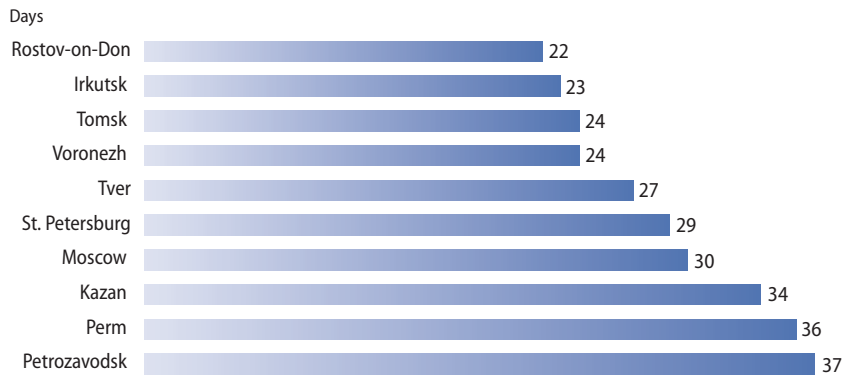


FIGURE 2.3

**Time to start a business in Russian cities**

Source: Doing Business database.

waiting for confirmation letters via mail resulted in substantial delays—well beyond the envisaged 3 weeks. Some letters are even lost in the mail. Delays occur despite computerized communication between tax authorities and the funds. They are often caused by state agencies' unwillingness to introduce modern management practices.

It takes 9 procedures to register a company in Moscow and 14 procedures to do the same in Voronezh. One of the reasons for the extra steps: it is common practice in Voronezh for entrepreneurs to visit the 3 funds and the statistics service themselves. These visits add 4 additional procedures to the registration process. In addition, while state registration takes place in the interdistrict tax inspection office, Voronezh companies must also apply to their district tax inspection office in order to get their INN, which adds yet another procedure in Voronezh. Hence, with these 5 additional steps, the OSS is not yet functioning in Voronezh (figure 2.2 b).

Of the 10 cities studied, starting a business is fastest in Rostov-on-Don where it takes only 22 days. However, for almost half of firms another working day is needed—in addition to the 5 working

days set by law for state registration—in order to get an INN, and, as a consequence, 1 more visit to the tax inspection is often necessary.

In Petrozavodsk, registration procedures take an average of 37 days, which is the longest in the study. In Kazan, with 34 days, the cause for longer time is due to the common practice of inspecting the legal address declared by the applicant.

While the one-stop-shop option is available in most surveyed Russian cities—except in Voronezh and Perm—it is often slow, and only serves entrepreneurs when they are not in a hurry. For fast-track registration, many applicants do the legwork to get to the offices of the 3 funds and the statistics service, which may be located in distant parts of the city. Fund confirmations are the main source of delays in Kazan, Perm and Petrozavodsk. Those 3 cities are among the slowest in completing the registration process (figure 2.3).

In addition, most applicants visit their city's statistics service themselves in order to receive a confirmation letter as soon as possible. This letter, which usually requires 1 to 2 days, is needed to open a bank account and complete the registration process.

**COST**

In accordance with the law, the duty for the state registration of a legal entity is a flat fee equal to 2,000 rubles (US\$66).

Moscow is the most expensive place to register a company. In Moscow, entrepreneurs spend 2.7% of GNI per capita (6,200 rubles or \$206) to complete all business start-up procedures. Meanwhile, in Kazan, it costs just 1.3% of GNI per capita (3,000 rubles or \$100) (figure 2.4).

The two main reasons for regional cost variations are: the cost to certify the documents required for business registration and the cost of opening a bank account, which differs depending upon the banking services available within each city.

As a prerequisite to open a bank account, a certification of the statutory documents is required. In principle, there are 3 ways to do it, depending on the city:

**1. GET A CERTIFIED EXTRA COPY OF THE STATUTORY DOCUMENTS WITH THE TAX AUTHORITIES.**

This is usually the least expensive way, but it may first require the state registration and therefore an additional visit to the tax authorities. It can take up to 5 additional days and cost up to 400 rubles (US\$13) to receive a certified extra copy

**BOX 1****Electronic digital signature**

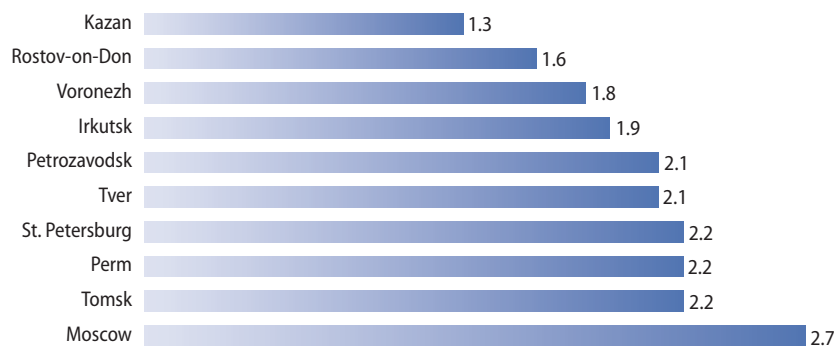
Electronic digital signature is a requisite of an electronic document used for protection of this electronic document from falsification. Electronic digital signature is formed by cryptogram reformation of information with the use of a secret key of an electronic digital signature. It allows to identify the owner of the certificate of the key of the signature, as well as to ascertain lack of perversion of information in an electronic document.

*Federal law of 10 January 2002 No. 1-FZ  
(version of 8 November 2007)  
"On Electronic Digital Signature"*

FIGURE 2.4

**Cost to start a business in Russian cities**

(% of income per capita)



Source: Doing Business database.

of statutory documents. Some tax inspectors in Rostov-on-Don introduced a more efficient service that makes it possible to apply, pay and get an extra copy of certified statutory documents simultaneously with the state registration. But even in Rostov-on-Don, this method will not necessarily save you an additional visit to a notary office if your bank requires notarized signatures on your bank card.

## 2. CERTIFY THE STATUTORY DOCUMENTS BY A NOTARY OFFICE.

This is the most expensive, albeit fastest way to certify documents for opening a bank account.

## 3. PRESENT ORIGINAL STATUTORY DOCUMENTS AND GET THEM CERTIFIED BY A BANK.

This option can save a new company a visit to a notary office and reduce the cost accruing from this visit. The final cost will depend upon each bank's price list for document certification. Although banking regulations cover provisions of such services to clients, very few banks offer this service in practice. Among surveyed cities, banks in Kazan and selected banks in some other cities accept original documents for review without requiring notarization by a notary office.

In order to build lasting relationships with corporate clients, some banks

do not charge companies for opening an account at all. This decreases expenses for the overall registration process. Usually banks' fees for opening an account run between 200 rubles (US\$7) and 3,500 rubles (US\$116).

## WHAT TO REFORM?

### IMPROVE AND CLEARLY DEFINE THE ONE-STOP SHOP (OSS) PROCESS

Proper functioning of one-stop shops for business registration will save time. This already falls within existing legislation. Further publicizing by the federal agencies of all OSS services, time limits and obligations could improve the process.

The government's initiative to set up a national network of multifunctional centers focused on facilitating provision of public services may turn out useful in expediting the registration process in the regions. Support by the regional/municipal authorities could help spur business development. It is especially important to clearly define how the confirmation by the 3 funds and the statistics service should be carried out.

### INTRODUCE A QUEUE MANAGEMENT SYSTEM

Crowded halls filled with registrants are more often the rule than the exception in Russia. There is a simple way to improve this: introduce a queue management system. For instance, in Kazan, the inter-district Tax Service introduced a simple, orderly queue management system to streamline service. An applicant now gets a ticket with a number and waits until his number is indicated on an electronic display.

### SIMPLIFY THE NOTARIZATION OF STATUTORY DOCUMENTS AND BANK CARD SIGNATURES

Allowing banks to notarize statutory documents themselves instead of notaries will further simplify the registration

#### BOX 2

#### Benefits of an electronic business registry (e-BR)

##### Potential Users of an e-BR

A business owner ...

A loan approval officer at a financial institution ...

A potential business partner ...

A potential customer ...

A potential supplier ...

A lawyer or notary ...

A government official (e.g. a tax, customs, pension, VAT or social security authority official)

##### Potential use of e-BR services:

... registers a new business or lists the board of directors of a firm.

... confirms the financial health and history of a potential borrowing firm and owners.

... confirms the details of a potential business partner, such as who in the company is legally entrusted with signing agreements.

... confirms historical information on the operations and management of the firms.

... confirms the financial health of a potential buyer in making trade credit decisions.

... validates information.

... verifies a company's active business status.

## BOX 3

**Portugal's fast track business registration**

Users select a pre-approved name from the registry's website  
 ... proceed to the one-stop website to register the company  
 ... the registry deals with tax, social security and labor registration, publishes the incorporation notice, and  
 ... articles of association are standard – there is no need for a notary.

*Within a year, the number of companies using Fast Track rose from 12 to 75 a day.*

*Source: BEEnet*

process. This service is already offered by selected banks, but it does not yet appear to be a widespread practice. Offering notarization services by commercial banks is a common practice in developed market economies. Another approach to cut red tape would be canceling mandatory notarization and making use of notaries optional.

**ABOLISH THE PAID-IN MINIMUM CAPITAL REQUIREMENT**

In 2009, the paid-in minimum capital requirement for Russian limited liabilities companies was 10,000 rubles or 2.2% of GNI per capita. This amount must be paid in full during the 1st year of operations—with 50% required even before the state registration. This requirement can be an obstacle for smaller businesses, which are expected to be important drivers of the Russian economy, employing a significant portion of the population. Elimination of this requirement could increase the number of registered companies, as it happened in many reforming countries as well as in developed market economies—namely, in Canada, France, Japan, the United Kingdom, and the United States where removal of paid-in minimum capital requirement greatly facilitated business start-ups.<sup>5</sup>

**SPEED UP USE OF IT TECHNOLOGIES AND ALLOW ONLINE START-UP**

The study showed that the use of IT technologies for public services and the quality and completeness and accuracy of information about public services remain low. The Russian Government addresses this problem in new legal acts approved in June 2009: in the concept of the internet communication between citizens and organizations with the federal, regional and municipal governments and in the decision to provide some public services using IT technologies starting in 2011.

The concept specifies rules of posting data on public and municipal services in Federal Public Information Systems “Consolidated Register of Public and Municipal Services (Functions)” and “Integrated Portal of Public and Municipal Services (Functions)”. The public services to be provided with the use of IT technologies include among other the state registration of legal entities and individual entrepreneurs, management of the Unified State Registry of Legal Entities and Individual Entrepreneurs, customs procedures, title registration, cadastre registration, some types of licenses, etc.

Electronic document processing and online registration would facilitate start-ups. In Denmark an entrepreneur can start a business without leaving home. Using the Internet, the entrepreneur can obtain a digital signature, register with a commercial registry and tax authority and then submit incorporation documents. All data is automatically validated—no public officials are involved. An entrepreneur receives a business identification number online, and a company notice is published on the web. Online start-up works best in countries with high Internet penetration and appropriate legislation allowing digital signatures. Electronic digital signature was envisaged by the Russian legislation in the Federal Law dated January 10, 2002 (No. 1-FZ “On Electronic Digital Signature” (box 1), but it is not used very broadly yet.

**IMPROVE ENTERPRISE DATABASE CONTENT AND ACCESS TO IT**


There is an electronic database of enterprises in Russia, but it does not contain statutory documents. Computerization of submitted documents as part of the registration process (with the use of scanners) and regulated access to this information could reduce paperwork for businesses and regulators. It could help provide up-to-date information about companies for state agencies and businesses while also save companies from having to produce multiple notarized copies of their statutory documents (which are needed in each interaction with the government and other agencies. Box 2). Finally, an accessible, electronic database could simplify the work of the tax authorities responsible for certification of statutory documents, as in Portugal (box 3).

**ELIMINATE COMPANY SEALS**

Is a company seal really needed to mitigate the risk of fraud, or is it just a tradition? Many countries do not have mandatory seals for business operations anymore, reducing the time and procedures for start-ups.

**ELIMINATE THE REQUIREMENT OF AN INFORMATION LETTER FROM THE FEDERAL STATE STATISTICS SERVICE FOR OPENING A BANK ACCOUNT**

An information letter from the statistics service is currently required in order to open a bank account. Getting this letter adds another step to the registration process. In practice, an applicant chooses his activity statistics codes for his registration application himself using an official manual. An information letter from the statistics service is not really necessary for registering a firm or for opening a bank account. An efficiently run OSS could share information about a new business, including information about its statistics codes, electronically.

- 
1. Bruhn (2007).
  2. Ciccone and Papaioannou (2007).
  3. Freund and Bolaky (forthcoming), Chang.Kaltani and Loayza (forthcoming), Cunat and Melitz (2007), Helpman and Itshoki (2007) and Helpman, Melitz and Rubinstein (2008).
  4. *Doing Business 2005*.
  5. Business Registration Start-Up: A Concept Note, Liliana de Sa, IFC/World Bank, October 27, 2005.

# Dealing with construction permits

TABLE 3.1  
Where it is easy to build a warehouse—and where not?

1	Rostov-on-Don (easiest)
2	Kazan
3	Irkutsk
4	Perm
5	Petrozavodsk
6	Tomsk
7	Tver
8	St. Petersburg
9	Voronezh
10	Moscow (most difficult)

Source: *Doing Business* database.

*Doing Business* studies the procedures, time and cost to obtain construction-related approvals and connect a standard commercial warehouse to utilities. The rankings for dealing with construction permits are based on 3 equally weighted (33.3%) sub-indicators: (1) the number of calendar days spent processing the paperwork related to permits, (2) the cost expressed as a percentage of income per capita (for official payments only) and (3) the number of procedures necessary to receive the final document—i.e., the registration certificate of a newly built warehouse (figure 3.1).

Governments must strike a balance between protecting the public and encouraging business to build and formally register the property. Stricter building rules and regulations may result in fewer accidents, if enforced effectively. But where the process is too burdensome, fewer projects get started in the formal sector and/or for those projects which follow the permitting process to its end, the corruption burden increases.

Economies that score well on dealing with construction permits tend to have transparent and rigorous yet expeditious permitting processes. Speed matters. A recent study in the United States shows that accelerating permit approvals by 3 months in a 22-month project cycle could increase property tax revenue by

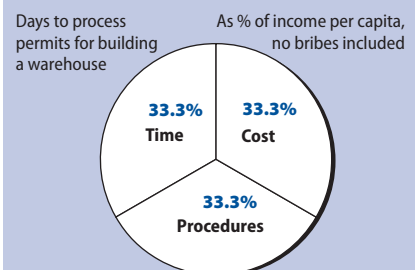
16.15% and construction spending for local governments by 5.7%.<sup>1</sup> Yet in 80 of the 181 economies studied by *Doing Business*, compliance with construction formalities takes longer than the standardized 30-week construction project itself. Russia, represented by Moscow, is within this group. It ranks 180th out of the 181 economies surveyed by *Doing Business 2009*.

If Russia's existing laws were enforced, dealing with construction permits should not be so burdensome. According to the urban development code, acquiring construction and occupancy permits should be easier than most other administrative procedures. The code stipulates that the authorities must issue a construction permit within 10 calendar days from the date an application is submitted. When an entrepreneur decides what (s)he wants to build, (s)he just needs to put it in writing and attach the supporting documents. When the building is complete, the entrepreneur supposedly just brings in another application and, again in no more than 10 days (reserved for inspectors to verify conformity of the erected building with the construction permit issued earlier), the occupancy permit is ready for pick-up. By law, construction and occupancy permits are free of charge.<sup>2</sup> But reality of getting both documents is very different.

The code sets strict deadlines, but Russian regulators emphasize rigorous supervision and control without consideration for the burden on the end users. Appropriate construction regulations require the relevant authorities to review projects for safety, health and environmental reasons, but they also make compliance easy for builders. In Russia, every step of the process—from design to registration—is likely to require a thick folder of documents, a bribe and just the right stamp. This has turned what should be a simple administrative transaction into an opaque, costly, iterative process.

For several years, Russia has been the runner up to the last place in the *Doing Business* global ranking for dealing

FIGURE 3.1  
Rankings on dealing with construction permits are based on 3 subindicators



Procedure is completed when final document is received; construction permits, inspections and utility connections included

Note: See Data notes for details.



with construction permits. In fact, Russia has the world's most complex requirements for clearing building documents.

In Russia, represented by Moscow, it takes 704 days (almost 2 years) to complete the paperwork to build a warehouse.<sup>3</sup> To compare, builders in OECD countries spend, on average, 162 days—less than a quarter of the time required in Moscow. Moscow builders face a burdensome environment by regional standards, too: in Eastern Europe and Central Asia builders spend an average of 257 days to process a construction permit, just over a third of the time required in Moscow.

The number of procedures required in Moscow is the highest in the world at 54. These 54 steps mandate that a builder interacts with at least 21 different regulatory agencies. To compare, OECD countries require 15 procedures, on average, while the ECA region's countries require 27, on average.

Long approvals and numerous regulations do not guarantee quality in construction and urban development as demonstrated by spectacular collapses of recently raised structures in Russia.<sup>4</sup>

Looking at costs, Moscow builders must spend 26 times (2,613%) the gross national income (GNI) per capita to have all permits cleared. In the Eastern Europe and Central Asia region, building permit costs come to a less onerous 7 times (680%) GNI per capita. In OECD countries, such costs come to half (57%) GNI per capita.<sup>5</sup>

Since much of urban planning, zoning and building design falls under local or regional jurisdictions in Russia, sub-national authorities normally take the lead in implementing reforms to simplify the regulation of construction in their regions. Federal laws merely provide a framework for the municipal authorities who issue construction and occupancy permits according to regional and municipal service standards.

In dealing with construction permits, all other Russian cities surveyed

perform better than Moscow, which represented Russia in the global ranking of *Doing Business 2009*. International comparisons based on the results of this subnational report are interesting. For example, in Rostov-on-Don (1st place within the Russian Federation and 129 globally), it is as easy to build a warehouse as it is in Portugal. Meanwhile, the procedures and costs required in Voronezh (ranked 9th in Russia and 176 globally) are as cumbersome as they are in Zimbabwe or Liberia. Finally, as noted above, Moscow stands out as the most difficult place to build (table 3.1).

Dealing with construction permits is easier for entrepreneurs in regions where authorities are more active in the drafting of regional service standards (within the existing urban development code) and are able to strike a better balance between guarding the public interest (particularly in safety and health) and reducing the bureaucratic burden on businesses. In larger cities, regulators tended to emphasize the shortcomings of federal law and implement extra procedures to suit special circumstances (and, perhaps, a group of affiliated developers). But these additional procedures do not generally benefit the business community at large. For example, by law, the Federal Service for Ecological, Technological and Nuclear Supervision

(Rostekhnadzor) is the only authority in the country to inspect and clear the commissioning of hazardous, complex and unique structures in all Russia's regions. But the city of Moscow negotiated exceptions to this rule. When a dispute arose between the Moscow's government and a steel plant regarding the quality of a metal part delivered for use in one of the largest indoor skating stadiums in Europe, the Moscow's government did not want to resolve the dispute through the national regulator. Instead, it wanted to turn to an "independent" city commission—yet two-thirds of this commission came from organizations taking part in this same skating stadium construction project, picked by the city government.<sup>6</sup>

## PROCEDURES AND TIME

There are wide regional variations in the number of procedures, time required and cost incurred to process paperwork needed to build a standard warehouse in Russia (table 3.2).

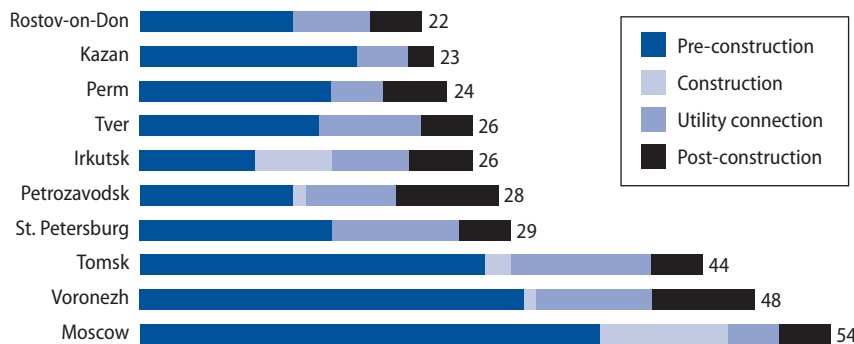
For example, dealing with construction permits requires 22 procedures in Rostov-on-Don and twice as many in Tomsk. The 22-step difference can partially be explained by the fact that it is necessary to deal with 2 separate companies for electricity and another 2 companies for water connections in Tomsk.

TABLE 3.2  
Ranking of Russian cities on dealing with construction permits

City	Procedures (number)	Time (days)	Cost (% of income per capita)	Ease of dealing with construction permits (rank)
Rostov-on-Don	22	194	272.9	1
Kazan	23	350	396.1	2
Irkutsk	26	304	487.4	3
Perm	24	263	1,060.2	3
Petrozavodsk	28	365	270.3	3
Tomsk	44	233	502.1	6
Tver	26	390	826.9	7
St. Petersburg	29	299	2,116.2	8
Voronezh	48	1,207	399.1	9
Moscow	54	704	2,612.8	10

Source: *Doing Business* database.

FIGURE 3.2  
**Too many clearances before breaking ground**  
**Number of procedures**



Source: *Doing Business* database.

Furthermore, the utility companies do not communicate with one another, forcing applicants to shuttle between them to confirm connections.

The situation is most challenging in Moscow, where 36 steps are required before ground is broken in a construction project. By the time the building is complete and properly registered, 54 separate procedures should have been implemented (figure 3.2). For example, a location permit in Moscow is actually comprised of 5 permits<sup>7</sup> which are not required by the federal urban development code. In fact, regulators in Moscow seem to find the federal urban development code “insufficient.” Proposed Moscow’s code, instead of simplifying building regulations, adds requirements and makes them more complex.

By adopting the federal urban development code, Russia introduced a risk-based approach to its permitting process in construction. The code separated permit applications for smaller, lower risk projects from larger, higher risk ventures. It abolished government review of documentation for stand-alone buildings of no more than 2 stories with a total surface area of no more than 1,500 m2 intended for non-residential and non-production use. The hypothetical warehouse of the *Doing Business* case study benefits from this reform, allowing builders to skip several steps, including: (1) the state review (“*expertiza*”) of construction projects before the building permit is issued; and (2) inspections to verify compliance with the approved project during construction.

Moscow’s government, according to

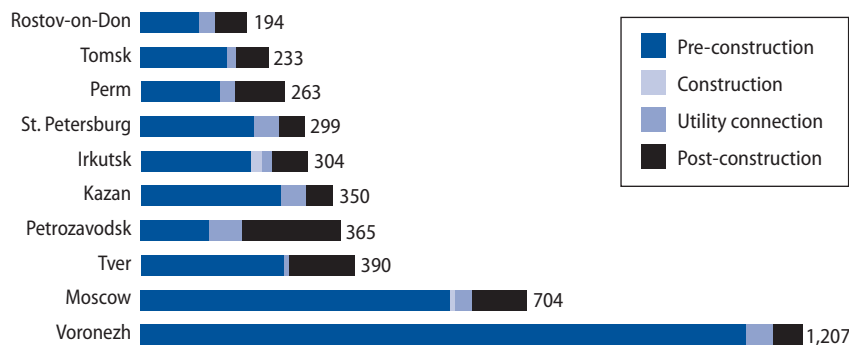
the global *Doing Business 2009* report, found this legal provision insufficient for construction within its city limits and so continued to require state review for a 1,300 m2 warehouse. Such a review carried out by the city organization “Mosgosexpertiza” takes up to 60 days and cost 58,000 rubles (US\$1,928) to complete. The statutory ordinance by the mayor of Moscow for Mosgosexpertiza states that its review is “a mandatory stage of the investment process in the city construction” without any reference to exceptions—per provisions in article 49 of the urban development code. Under this technical review, compliance with state construction standards (“SNIps”)—as well as adherence to project plans—is then verified by the supervisory body “*Mosgorstroinadzor*”<sup>8</sup> at 3 points: (1) upon completing of the basement, (2) upon erecting above surface structures, and (3) upon commissioning equipment and engineering works.

In May 2008, *Mosgorstroinadzor* was supervising 3,611 construction sites and was struggling to send inspectors to all these sites each week, hardly a realistic target. From the public interest point of view it would have been more effective to focus attention of inspectors on more risky projects leaving other smaller sites to compliance verification at issuing occupancy permit as required by the federal urban development code.

As mentioned above, Rostov-on-Don and Kazan are the easiest places in Russia to build a warehouse with fewer procedures than the average 24 procedures for other cities in Eastern Europe and Central Asia. The other Russian cities covered in this report require more procedures.

Too many steps signal excessive red tape, particularly if there is lack of transparency as to what comes next. In Tomsk, regulators go the extra mile to clearly explain their procedures to the public. This useful information seems to have compensated somewhat for a higher

FIGURE 3.3  
**More than 3 years to complete procedures in Voronezh**  
**Time (days)**



Source: *Doing Business* database.



number of procedures required (44). Although Tomsk sits near the bottom of the list (8th place) for the high number of procedures required, it climbs to 2nd place when compared to the number of days spent on paperwork (figure 3.3).

In Voronezh, the city with the longest wait (1,207 days), 300 days are needed to clear the building application with municipal authorities. But the main source of delay (averaging 365 days) is the negotiating and signing of the terms of construction. These “terms” include an agreement to gratuitously transfer to the account of a city ward where the warehouse is to be built an agreed amount (in cash) for urban development purposes. Entrepreneurs tend to spend time deciding how to address this cash payment requirement since the law forbids charging fees for issuance of construction permits.

## COST

Building tends to be less expensive in smaller cities and more expensive in larger ones due to the higher cost of construction materials and labor. Electricity connection charges have increased in the aftermath of the national electricity sector restructuring and have become one of the most important factors affecting building permit costs.

Electrical connection fees, modest before 2006, skyrocketed in 2007. Accordingly, the costs related to building a warehouse rose in Moscow from 318% of GNI per capita in 2006 to 3,788% GNI per capita in 2007 (almost 6 million rubles, or almost US\$200,000).<sup>9</sup> In fact, due to elevated electricity rates 92% of total construction permit’s cost structure is attributable to power connection charges.

In Irkutsk, with its abundant energy resources and the least expensive electricity supply nationwide, connecting one kilowatt (kW) capacity to the grid costs only 6,500 rubles (US\$216). As such,

an entrepreneur pays less than 910,000 rubles (US\$30,253) to connect the standard warehouse consuming 140kW to the power line.<sup>10</sup> In St. Petersburg, the total amount to be paid increases to 2,452,000 rubles (US\$81,516)—which means it’s 5 times the unit cost (per kilowatt) found in Irkutsk. That electrical connection helps hike St. Petersburg total connection costs to 4,628,400 rubles (US\$153,870). But nowhere in Russia is it as expensive as in Moscow to hook up to the grid: Moscow’s electrical connections cost 6 times as much as Irkutsk’s. That comes to 39,218 rubles (US\$1,304) per kW capacity—and the total cost of 5,490,520 rubles (US\$182,531) should be paid upfront in full to bring power to a warehouse in Russia’s capital city. Other cities allow delayed payments, with only a portion of the total payment made within 30 days of signing the connection agreement. The remainder—up to 50% of the connection fee—is often permitted to be paid later. For example, in Kazan the remainder can be paid up to one year later.

While entrepreneurs pay nearly 40,000 rubles per kW capacity in Moscow,<sup>11</sup> no charges for electrical connections are reported in neighboring Tula Oblast, just 130 km south. Due to a recent restructuring in the electricity sector, connection charges are now levied by regional electricity commissions and are at the discretion of regional governments. As a result, electricity charges vary—contributing up to 10.5% of total costs in Irkutsk while making up to 21% of total costs in St. Petersburg and Moscow. When connection charges surpass the cost of hooking up a generator, large developers may opt to install generators for their own use instead of waiting for capacity on the grid to be freed up.

## WHAT TO REFORM?

### IMPROVE THE RISK-BASED APPROVAL PROCESS

In accordance with the federal urban development code, technical reviews and inspections of smaller projects were not required—allowing business to save time and costs in the permitting process without compromising public safety, health and environment. Skipping cumbersome reviews and excessive inspections helps smaller, less risky projects—such as the warehouse of our study—get built without undue delay.

Regional governments could speed up the approvals of relatively small, low-risk, commercial projects by separating applications into more than 2 types. For example, construction projects of less than 100 m<sup>2</sup> are fast-tracked in Peru, Colombia and other Latin American countries with positive results. In fact, in Peru’s capital Lima, it took 320 days to deal with construction permits before the aforementioned reform. But after expediting small-project approvals, that time was cut to only 20 days.<sup>12</sup>

### FACILITATE SMALL AND MEDIUM ENTERPRISES’ ACCESS TO UTILITIES BY LOWERING COSTS

Connecting to the electrical grid has loomed as one of the most serious problem related to construction in Russia’s regions since 2007. Connection costs are particularly burdensome for small and medium-sized enterprises (SMEs) so the government is planning to establish lower rates for them.

President Dmitry Medvedev, in his ordinance on urgent measures to liquidate administrative barriers in entrepreneurial activities (# 797, dated May 15, 2008), instructed the government to simplify procedures for SMEs connecting to electricity networks and make them less expensive. One of the proposals on the table is to develop rules for connecting 4 major consumer groups to the grid:

(1) households, (2) small businesses, (3) medium-sized businesses and (4) large businesses with energy-intensive production. The proposed connection charge for small businesses is set as low as 550 rubles per kW. This would reduce the current financial burden on businesses but if the charge does not reflect full costs the resulting financial losses are likely to be recouped from charge increases for other groups of consumers, or in other words through cross-subsidies. Overall, regional offices of the Federal Tariff Service, which are in charge of setting up specific connection charges, need to make connection procedures transparent and based on the publicly available methodologies for computing connection charge, as well as to establish a process for appeals in case of prolonged delays in access.

#### **DELEGATE THE APPROVAL FOR SIMPLE PROJECTS TO PRIVATE PROFESSIONALS**

With its strong professional corps of architects and engineers, the state could delegate approvals to private professionals. Simple, low-risk projects could be outsourced to licensed professionals who would approve and be held accountable for projects under their purview. For example, in Colombia the private sector is encouraged to participate in provision of public services, including by taking the function of verifying compliance with the building standards. A network of private practitioners (“municipal curators”<sup>13</sup>) are authorized to examine applications for construction permits on compliance with national standards and rules and to actually issue such permits on behalf of the municipalities

Recently, the government of Russia decided to replace its centralized system of licensing of construction and design activities with a market-based system made up of self-regulatory organizations (SROs) which would screen entrants into the building construction and design

industries—starting January 2010—and accept qualified professionals into membership. The current lack of SROs in the system means much work is to be done to ensure that professional standards are maintained as well as they are in other market economies. Development of open and responsible SROs should be a priority. Members of these organizations should be fully liable for the projects they are designing and erecting. To this end, a new section was recently added to the federal urban development code and now the main challenge is to ensure that membership in the SROs does not discriminate against smaller companies which should not be left outside of these organizations due to high membership thresholds.

#### **EXPEDITE THE CITY PLANNING, ZONING AND INFRASTRUCTURE DEVELOPMENT FOR AUCTIONING PLOTS OF URBAN LAND FULLY PREPARED FOR BUSINESS ESTABLISHMENT**

Cities’ urban development plans and zoning maps are currently prepared with long lead times. Often, the burden of large territorial plans lies on a developer trying to make a smaller investment. Compensation for territorial development by future land-users would help expedite land allocation for construction. Such a mechanism could become part of the land auctioning process, where the buyer of a plot of land compensates territorial planning costs to the original developer.

Another positive initiative is the development of industrial parks and other public-private partnerships offering power, water, road and other infrastructure connections in one real estate package. The Republic of Tatarstan and Leningrad Oblast are among the leaders in the development of industrial parks within Russia.

#### **CONSIDER CREATING ONE-STOP SHOPS FOR PARTS OF THE PERMITTING PROCESS**

It is much easier to establish a one-stop shop for permits when there are only 3 organizations involved. When the total number of players reaches double digits (in a 58-step process), a one-stop shop becomes untenable. A single shop could, however, cover a specific stage of the process—say, design development and/or construction permits. For example, “*Mosgorstroinadzor*” (the construction supervision body of Moscow) boasts a single window for permit applications and this is a positive step forward (even though *Mosgorstroinadzor* concedes that it currently has hard time meeting the 30-day statutory time limits to process applications).

Kazan’s Directorate of Architecture and Urban Development spells out on its website the lead times (in number of days) required by each of its units to process documents and explain the document flow. According to the Directorate staff, this transparency reduces the risk that a one-stop shop becomes a black hole—which happens if an applicant cannot find out exactly where a pending file is stuck.

#### **INCREASE TRANSPARENCY AND INFORMATION AND ALLOW FOR ONLINE APPLICATIONS**

Information about obtaining a building permit helps businesses with their project planning. It does not require a lot of resources—only a willingness to post requirements for the public to view. Elsewhere in the world—in Oman and Singapore, for example—free downloadable application forms and online document processing save builders time and money. In Russia, having forms available online could save businesses at least one trip to the municipality—and that could mean saving an afternoon stuck in traffic.

When getting a construction permit is as complex as it is in Moscow, any ini-

tiative to simplify and make it transparent should be welcome. Billboards featuring the building permit requirements could help. Websites could enable entrepreneurs to access useful information any time of day. But builders also need more than just a checklist of required documents. They need downloadable application forms and they need to understand how the process works. This could make dealing with construction permits easier throughout Russia.

1. PriceWaterhouseCoopers, 2006.
2. Urban Development Code of the Russian Federation. Federal Law No.190-FZ, December 24, 2004, Articles 51 и 55. Yur-right, Moscow, 2007.
3. See Data Notes describing the case used here to compare the cities in this study.
4. For example: roofs collapsed in an aquapark and a produce market in Moscow, the walls of a swimming pool fell in the Perm region, and pillars of a highway ramp collapsed in Ekaterinburg. All 4 incidents resulted in the loss of human lives and all 4 were due to violations of construction and maintenance norms. In addition, construction falling short of anti-seismic requirements led to the destruction of 8,000 people's homes on Russia's Sakhalin Island after an earthquake in 2007.
5. *Doing Business 2009* database.
6. Source: Gazeta.ru, September 29, 2008.
7. The 5 permits are: (1) act of permitted use, (2) decision of district land committee, (3) latter's clearance by the head of the city's ward, (4) conclusion on its compliance with city planning, followed by (5) clearance by the city architecture planning department.
8. Since 2006, fines collected by *Mosgorstroinadzor* surpassed 20 million rubles (US\$700,000). Those fines were paid by construction firms—167 of which were blacklisted and recorded into the agency's "Register of business reputation" for (1) littering, (2) putting dirt onto areas adjacent to construction sites, (3) incorporating low-quality construction or (4) using inadequate materials. Source: [www.irk.ru/news/prn/25447.html](http://www.irk.ru/news/prn/25447.html) accessed in January 2009.
9. *Doing Business 2008*, Russia report (comparing regulation in 178 countries) p. 14.
10. The charge tends to be calculated based on the declared electricity consumption for different classes of consumers (commercial vs. residential), depending on their location (town center, suburban, rural) and required reliability of service (first, second or last to be disconnected when there is a threat of a blackout).
11. In downtown Moscow the connection charges for businesses are even higher, i.e., 90,000 – 100,000 rubles per kW capacity.
12. Source: <http://www.tv.munlima.gob.pe/sislico/> accessed in December 2008.
13. The number of "municipal curators" is determined by demand -- there are 5 curators in the capital city of Bogota who are licensed to work on all the territory of the capital competing on quality of service (fees for services are regulated). In smaller cities the number of such agents is smaller, but not less than 2 (to allow for builders' choice). In municipalities with populations of less than 100,000 where building activity can not support, at least, 2 curators construction permits are issued by the municipalities and outsourcing of services related to compliance verification is not allowed by law.

# Registering property

TABLE 4.1  
Ease of transferring property in Russia

City	Procedures (number)	Time (days)	Cost (rubles)	Cost (US\$)	Cost (% of property value)	Rank
Tver	6	48	18,462	613.76	0.16	1
Kazan	5	80	16,706	555.39	0.15	2
Perm	6	51	22,700	754.65	0.20	3
Petrozavodsk	7	52	20,420	678.86	0.18	3
Tomsk	6	47	26,778	890.23	0.24	5
St. Petersburg	6	117	18,856	626.86	0.17	6
Moscow	6	52	23,166	770.15	0.20	7
Irkutsk	6	51	27,189	903.89	0.24	8
Voronezh	5	56	30,505	1,014.13	0.27	9
Rostov-on-Don	5	61	40,360	1,341.76	0.35	10

Source: *Doing Business in Russia 2009* database.

*Doing Business* tracks the full sequence of procedures necessary for a business (buyer) to purchase a property (a land plot and a building located on this land plot) from another business (seller) and to transfer the property title to the buyer's name so that the buyer can use the property to expand its business, take out a new loan with the property as collateral or sell the property to another business. The process starts with obtaining the necessary documents—such as a copy of the seller's title, if necessary—and conducting due diligence, if required. The transaction is considered complete when the buyer can use the property as collateral for a bank loan (figure 4.1).

Land is a fundamental economic asset and a major source of wealth in every society. Land and buildings account for between half and three-quarters of the wealth in most economies.<sup>1</sup> It serves as a commodity that landowners can turn into capital and use as collateral to obtain credit. The more difficult property registration is, the more assets remain outside the formal economic system. Unregistered property cannot be used as collateral for loans, which may limit financing opportunities for businesses. Furthermore, property values tend to be lower without formal titles and property owners invest less.

Economies that score well on the

ease of registering property tend to have simple procedures, low transfer taxes, fixed registration fees, online registries and time limits for administrative procedures. They also make the use of notaries and lawyers optional.

Russia, represented by Moscow in the global *Doing Business* study, ranks 49th among 181 economies on the ease of transferring property. It takes 6 procedures, 52 days and costs 0.2% of the underlying property value to transfer the title of a warehouse in the periurban area of Moscow. This is significantly cheaper than in OECD countries where, on average, an entrepreneur pays 4.7% of the property value to complete a formal transfer. Yet, transferring property in Moscow is slower than in most capitals of OECD countries where, on average, it takes 5 procedures and 30 days.

Despite a common regulatory framework for property registration across the Russian Federation, the time, cost and number of procedures vary in the 10 cities evaluated in this report due to local practices and fees. In Tver it is easiest to register property. It takes 48 days and costs 0.16% of the property value to complete a title transfer. On the other end of the scale, Rostov-on-Don has the most cumbersome procedures. It takes 61 days and costs 0.35% of the property value to complete a title transfer there (table 4.1).

## PROCEDURES AND TIME

In 2006, one of the first public service standards (called “reglements”) approved and implemented as part of ongoing administrative reform in Russia provided for how real estate property should be registered.<sup>2</sup> By law, registration with the authorized government agency takes 1 month and costs 7,500 rubles for legal entities. Regional variations occur mostly in the document preparation stage, rather than in the property transfer process at the registry. An expedited registration is envisaged for critical cases at the same price.

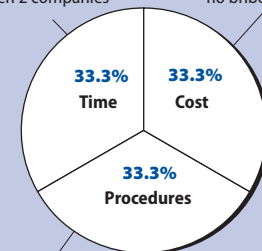
The number of procedures required to transfer a property title varies from 5 in Voronezh, Kazan, and Rostov-on-Don

FIGURE 4.1

### Rankings on registering property are based on 3 subindicators

Days to transfer property between 2 companies

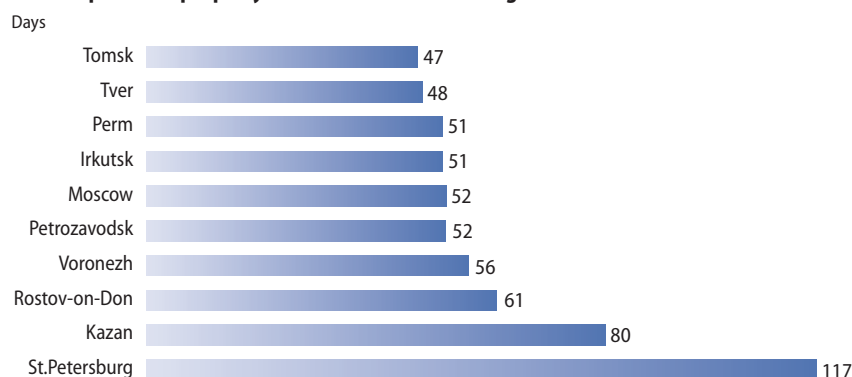
As % of property value, no bribes included



Steps for encumbrance checking, deed and title transfer until property can be sold again or used as collateral

Note: See Data notes for details.

FIGURE 4.2

**Time required for property title transfer varies among Russian cities**

Source: Doing Business database.

to 7 in Petrozavodsk. In Petrozavodsk, the seller is required to obtain a plan certificate (*“plan-spravka”*) in addition to a “technical passport”—a plan and property description for a building. Both come from the Republican State Centre *“Nedvizhimost.”* It adds to the procedural requirements observed for the rankings in this report.

Regional variations are also seen in the procedures related to receiving excerpts from the Unified State Register of Legal Entities. In most of the surveyed cities, this excerpt is optional and may be obtained by the buyer, seller or both in order to verify compliance with the law. However, this excerpt is mandatory in some cities.

On average, for the 10 selected Russian cities, it takes 62 days to register

property. However, the study revealed substantial differences. While it takes 47 days to transfer a property title in Tomsk, it takes 117 days—almost 3 times long—in St. Petersburg (figure 4.2).

Some complain that the registration offices are backlogged, causing long waits. In order to address this problem, the registration office in Tomsk, for example, has made it possible to book a visit by phone.

While the time needed to register with the Federal Registration Service is capped at 1 month by law, in practice it is much longer—representing up to 80% of the overall property transfer process. It takes the least amount of time in Kazan (20 days) and the most in St. Petersburg (95 days) due to its lack of capacity. There are several reasons for this situation:

- With the transfer to a unified federal system, staff salaries were cut leading to a drain of personnel. As a consequence, the workload increased per employee.
- Lower salaries hurt recruitment efforts for the most competent professionals.
- In many cities, property registrations were computerized. However, personnel remains insufficiently trained to promptly file documents in the new systems.

**COST**

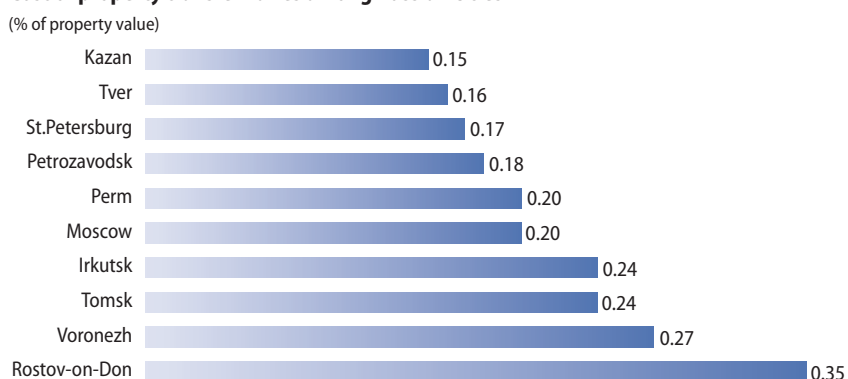
Companies spend an average of 24,514 rubles (US\$815) to transfer a property title in Russia. This is one of the 10 lowest fees as a percentage of the property value in the world. Property registration fees are prescribed by federal law; there are no current plans to expedite registration for higher prices. The cost among the surveyed cities varies from Kazan’s 16,706 rubles (US\$555) to Rostov-on-Don’s 40,360 rubles (US\$1,342) (figure 4.3). The variation in costs is caused mainly by the following factors:

The price to prepare technical inventory documents (a “technical passport”) is usually set by each organization involved according to the complexity of conducted works as well as the time-frame. As a result, it varies significantly across the country.

While in some cities (e.g. Kazan and Voronezh) it is sufficient to submit copies authorized by a registration office (along with original documents), in other cities (e.g. Irkutsk and Petrozavodsk) notarized copies are required by the property registration body. Notarized copies add to costs.

Notary fees can range from 10 rubles (US\$0.3) per page to 500 rubles (US\$17) per document in the cities surveyed.

FIGURE 4.3

**Cost of property transfer varies among Russian cities**

Source: Doing Business database.



## WHAT TO REFORM?

Since 2004, *Doing Business* reports have recorded over 100 countries that have made it easier to register property. The most successful reforms included the following solutions:

### MAKE THE USE OF NOTARIES OPTIONAL

In some cities, the offices of the Federal Registration Service have already introduced practices to allow a company to submit either notarized copies or originals of necessary documents along with copies which are checked against the originals and sealed by an officer of the Federal Registration Service. Making this option more widely available in Russia could substantially reduce the time and cost of title transfers.

### REDUCE THE NUMBER OF NECESSARY DOCUMENTS AND CLEARLY DEFINE THE DOCUMENT PACKAGE

Companies need to submit about 20 documents to complete a title transfer in Russia. In addition, there may be variations in requirements among Russian cities—as noted with the request to submit an excerpt from the Unified State Register of Legal Entities. In New Zealand—the country with the easiest property transfer procedures—companies only need to submit 4 documents to complete a title transfer.

### COMBINE THE TWO AGENCIES RESPONSIBLE FOR LAND AND BUILDINGS MANAGEMENT AND TITLE TRANSFERS INTO ONE

While land management is conducted by the Federal Cadastre Agency of Real Estate Property (“*Rosnedvizhivost*”), a title transfer is registered by the Federal Registry Service. The overlap between these state bodies is significant. It would be more efficient to unify the agencies under one umbrella. Good news: as this report was being prepared, a Presidential Decree<sup>3</sup> was signed to combine these two functions into one agency by 2011.

### INTRODUCE INCENTIVE MECHANISMS AND TRAINING TO IMPROVE PERSONNEL

Additional training—including IT and customer service courses—for registry personnel is required to streamline the process of property registration. At the same time, it may be advisable to introduce incentive mechanisms when employees perform better, faster, and more efficient document processing.

### INTRODUCE FAST TRACK REGISTRATION PROCEDURES

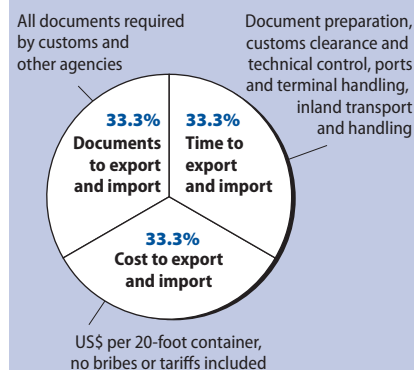
Though legislation foresees expedited registration procedures, they are not yet available in most of the cities surveyed. Sometimes entrepreneurs are ready to pay more to complete their property registration faster. Enforcement of the official fast-track procedures could also increase state revenues.

1. Fleisig, Safavian and de la Peña (2006).
2. Federal Law of 21 July 1997 No. 122-FZ “On State Registration of Rights and Transactions with Real Estate” and Order of the Ministry of Justice of Russia of 14 September 2006 No. 203 “On Approval of Administrative Reglament of Implementation of State Function on State Registration of Right and Transactions with Real Estate”.
3. The Federal Service of Registration, Cadastre and Cartography was established in December 2008 on the basis of the Federal Registry Service, the Federal Cadastre Agency of Real Estate Property (“*Rosnedvizhivost*”) and the Federal Agency on Geodesy and Cartography. By Order of the Russian Federation President of 25 December 2008 No. 1847 “On Federal Service of the State Registration, Cadastre and Cartography”.

# Trading across borders

FIGURE 5.1

## Rankings on trading across borders are based on 3 subindicators



Note: See Data notes for details.

*Doing Business* measures the time, cost and number of documents required to export and import a standard shipment of goods by sea through the benchmarked location's closest seaport. Every official trade procedure is tracked—from the contractual agreement between the 2 parties to the delivery of the traded goods (figure 5.1).

Simple, efficient and easily enforced trade regulations are important for facilitating investment, boosting trade and enhancing economic growth. Burdensome regulations lead to delays in trading and undermine a country's global competitiveness. A recent study of 126 economies calculates the loss from export delays at around 1% of trade for each extra day. For perishable agricul-

tural products the cost amounts to nearly 3% of the volume of trade for each day's delay. One study finds that each extra signature an exporter has to collect reduces trade by 4.2%. For high-end exports the loss is nearly 5%.<sup>1</sup>

The 10 cities in Russia studied by *Doing Business* show a significant variance. Moscow ranks 161 out of 181 economies. It takes 36 days and US\$2,150 to export and import a standardized container of goods. In addition, a trader has to prepare 8 export documents and 13 import documents to complete import/export formalities.

Compared to other Russian cities, Moscow comes out at the bottom. St. Petersburg comes out on top in the regional ranking. To export a standardized con-

tainer of goods, a trader in the northern capital requires 8 documents that take 26 days to complete and cost US\$1,350. To import a standardized container of goods, the same city requires 13 documents that take 24 days to complete and cost US\$1,400 (table 5.1).

The first of the 3 components used to measure the ease of trading across borders is the number of documents required to import and export. Russia imposes some of the most complex document requirements in the world. Approvals from ministries, health authorities, inspections agencies, port authorities and banks account for a significant portion of the trade delays observed in Russian cities.

Although it takes the same 8 docu-

TABLE 5.1  
Trading across borders in Russia is not easy

Region	Cost for export (US\$ per container)	Cost for import (US\$ per container)	Time for export (days)	Time for import (days)	Export documents	Import documents	Rank
St. Petersburg	1,350	1,400	26	24	8	13	1
Petrozavodsk	1,050	933	27	35	8	13	2
Rostov-on-Don	1,288	1,347	27	25	8	13	2
Tomsk	1,250	1,318	28	34	8	13	4
Tver	1,460	1,588	28	24	8	13	5
Irkutsk	1,225	1,450	31	35	8	13	6
Voronezh	1,660	1,660	28	23	8	13	7
Perm	1,600	1,600	31	25	8	13	8
Kazan	1,550	1,650	24	27	8	13	9
Moscow	2,150	2,150	36	36	8	13	10

Source: *Doing Business* database.

## BOX 4

**Finland: fewer documents—faster procedures**

Documents for export (number)	4
Documents for imports (number)	5
Time for export (days)	8
Time for imports (days)	8
Cost for exports (US\$ per container)	495
Cost to import (US\$ per container)	575

ments for export and 13 documents for import in all the cities, document preparation varies from 8 to 25 days in different cities measured in this study.

The time to trade varies greatly between cities in Russia—from 23 days in Voronezh to 36 days in Moscow. Some time differences stem from the region's geography. Although Russian ports work 24 hours a day, their processing times differ. St. Petersburg is the busiest port, moving 66% of Russia's sea-bound trade. Customs procedures and terminal handling activities for export take 3 days in St. Petersburg. Minor delays in St. Petersburg can be caused by waits in a terminal or congestion in the inspection zone. The waiting time for trucks to enter the port can range from a few hours to 2 days.

The major source of delays is the time needed to obtain the letter of credit. This reflects inefficiencies in the Russian banking sector. The letter of credit accounts for over half of the export and import time. In addition, currency control regulations still require the issuance of a "passport" for imports to ensure that hard currency earnings are repatriated to Russia. The regulations also verify that transfers of hard-currency payments for imports are for goods actually received and properly valued.

The various inspections carried out by customs, health and sanitary authorities are often merged into a single inspection. About 20% of the goods have to go through physical inspection at cus-

toms, based on risk profiles—still above the international best practice of 5% to 10%. These inspections can take from 20 minutes to 20 days. The regions acknowledged that these inspection practices can be a problem, but reported only mild concern about it.

*Doing Business* measures the cost of document preparation, customs and technical control, port and terminal handling and inland transportation—for importing and exporting. Overall, trading costs in Russia are among the highest in the world. Inland transportation is especially burdensome for many of the regions of the Russian Federation given the vast size of the country. Delays in transportation affect the total time of trading across borders and are the main source of variation in total costs among cities. The costs depend on the distance from the port, quality of the roads and availability of transportation. It costs over \$700 to transport a container by road from the nearest port Vladivostok to Tomsk or from St. Petersburg to Perm.

Many traders report that the rail road fees for export-import goods may increase to as much as 3 times over fees for the non-export goods. Consequently, exporters are increasingly using private auto transport. Or, to avoid the high transportation costs, exporters register their goods as non-export for transportation purposes. Other trading costs are similar across locations. Custom brokers charge between 0.3% and 0.5% of a shipment value to process the import or export requirements. Port and terminal handling fees average \$150 for a 20-foot container and are similar across ports. Competition among port operators dictates other terminal handling costs—such as unloading, transporting a container to an inspection area, and emptying and filling the container for physical inspection.

FIGURE 5.2

**Top 5 reform features in trading across borders**

Reforms including feature since DB2006 (%)

Introduced or improved electronic data interchange system

Improved customs administration

Introduced risk management techniques

Improved port procedures or infrastructure

Introduced border cooperation agreements

Note: A reform may include several reform features.  
Source: *Doing Business* database.

**WHAT TO REFORM?**

The number of economies implementing reforms to facilitate trade has been increasing globally. In 2005 there were 25 reformers on this indicator. In 2007/08 there were 34. The most popular reform feature in facilitating trade has been to implement an electronic data interchange system (figure 5.2).

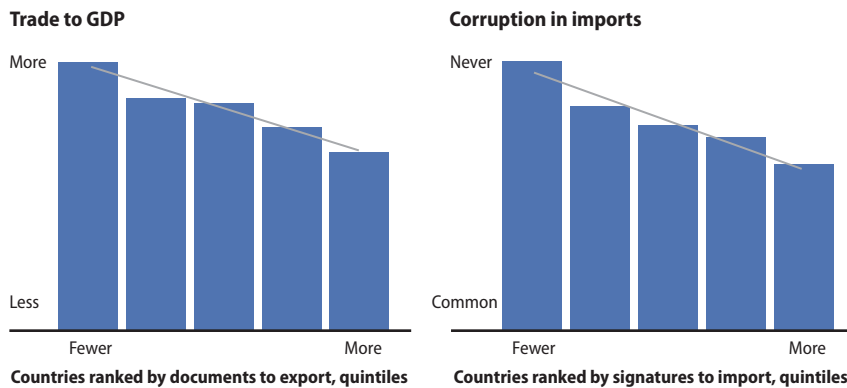
Some trade reforms are expensive, such as building roads or IT infrastructure. But much can be done without heavy spending. Clarifying rules and reducing paperwork requirements is an important start.

**REDUCE THE NUMBER OF IMPORT AND EXPORT DOCUMENTS REQUIRED**

Reducing document requirements is the first step in trade reforms. Countries that have efficient trade regulations—requiring fewer documents, fewer signatures and less time for compliance—enjoy more trade. Requiring more documents has been shown to lead to more corruption in customs (box 4). Faced with long delays and frequent demands for bribes, many traders avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose of



FIGURE 5.3  
**More red tape in trading—less trade, larger bribes**



Note: Relationships are significant at 5% level and remain significant when controlling for income per capita.  
 Source: Doing Business database; World Economic Forum, *Global Competitiveness Report 2004/2005*;  
 World Bank, *World Development Indicators 2005*.

border control: the quality of smuggled goods cannot be ascertained and duties are not collected.

**EXPAND USE OF A RISK ASSESSMENT POLICY FOR INSPECTIONS AND PRE-ARRIVAL RELEASE OF GOODS**

In Russia, over 20% of imports and exports undergo physical inspection. In OECD countries, only 5% of imports undergo inspection. The difference is explained by the risk assessment policies and their implementation. In the world’s most efficient risk assessment programs, human intervention is minimal. Instead, a computer program assesses the risk category of cargo against the profile of traders. This has allowed Mexico to limit inspections to 10% of shipments, Thailand to 15%. It has also increased the detection of smuggled goods.

Green lines and red lines are common features of customs clearance in many countries—including Russia. Yet, in Russian cities, a large percentage of cargo goes through red-channel procedures—even if it belongs in the green channel. Not so in Peru, where by law only 15% of cargo is required to undergo red-channel inspections. Pakistan also limited physical inspections to the riskiest consignments. These reforms reduced Pakistan’s inspections from 100% of cargo to less than 5% today. While

cargo took an average of 10 days to clear back in 2004, 70% of cargo is now cleared in just an hour. Fewer inspections do not mean less revenue. In fact, Pakistan’s customs revenue climbed 20% since inspection limits were introduced.

The pre-arrival release of goods is another effective trade reform. When documentary procedures for traded goods are initiated before the goods arrive, they can often be released immediately and the overall clearance time is thereby reduced. At the same time, the cost of the imported goods is lowered, which eventually benefits consumers.

**IMPLEMENT AN ACCOUNT MANAGEMENT SERVICE (AMS)**

An Account Management Service (AMS) is a service provided to large importers who have no record of infractions and are compliant with customs systems and procedures. Applying best risk-management practices, AMS can cut clearance times without sacrificing regulatory compliance. U.S. authorities pioneered the service in 1984. After implementing AMS in 2005 to 2007, Egypt reduced its average customs clearance time from 2 month to just a few hours.



1. Djankov, Freund and Pham (forthcoming).

# Data notes

## ECONOMY CHARACTERISTICS

### GROSS NATIONAL INCOME (GNI) PER CAPITA

*Doing Business in Russia 2009* reports the 2007 income per capita and population as published in the World Bank's *World Development Indicators 2008*. Income is calculated using the Atlas method (current USD). For cost indicators expressed as percentage of income per capita, 2007 GNI in local currency units is used as the denominator.

Russia's GNI per capita in 2007 = USD 7,560.

### EXCHANGE RATE

The exchange rate used in this report is 1USD = 30.08 rubles

### REGION AND INCOME GROUP

*Doing Business* uses the World Bank regional and income groupings available at <http://www.worldbank.org/data/countryclass/countryclass.html>.

The indicators presented and analyzed in *Doing Business in Russia 2009* measure government regulation and the protections of property rights – and their effect on businesses, especially small and medium-size domestic firms. The data for all sets of indicators in *Doing Business in Russia* are for June 2008. In this project, *Doing Business* indicators have been created for 10 Russian cities—as shown in the tables on pages 28–30.

Based on the study of laws and regulations with input and verification from over 200 government officials, businessmen, lawyers and other professionals routinely administering or advising on legal and regulatory requirements. The *Doing Business* methodology offers several advantages. First, it uses factual information about what laws and regulations say and allows for multiple interactions with local respondents to clarify potential misinterpretations of questions. Having representative samples of respondents is not an issue, as the texts of the relevant laws and regulations are collected and answers checked for accuracy. In addition, the methodology is inexpensive, so data can be collected in a large sample of economies—181 published in the global report *Doing Business 2009*, 10 cities in Russia for this report. Because the same standard assumptions are applied in the data collection, which are transparent and easily replicable, comparisons and benchmarks are valid across countries and states. And the data not only highlight the extent of obstacles but also help identify their sources, which can help policy-makers to design reforms.

The *Doing Business* methodology has 4 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the selected location and may not be representative of regulatory practices in other parts of the country. Second,

the data often focus on a specific business form—a limited liability company of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, the measures of time involve an element of judgment by the expert respondents. Therefore, if sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the case study. Fourth, the methodology assumes that the business has full information on what is required and does not waste time in completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly.

Questions on the methodology and challenges to data may be submitted through the “Ask a Question” function on the *Doing Business* website at <http://www.doingbusiness.org>. Updated indicators, as well as any revisions of or corrections to the printed data, are posted in the website.

## STARTING A BUSINESS

*Doing Business* records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities.

After a study of laws, regulations and publicly available information on business entry, a detailed list of procedures is developed, along with the time and cost of complying with each procedure under normal circumstances and the paid-in minimum

capital requirements. Subsequently, local incorporation lawyers and government officials complete and verify the data.

Information is also collected on the sequence in which procedures are to be completed and whether procedures may be carried out simultaneously. It is assumed that any required information is readily available and that all agencies involved in the start-up process function without corruption. If answers by local experts differ, inquiries continue until the data are reconciled.

To make the data comparable across countries, several assumptions about the business and the procedures are used.

### ASSUMPTIONS ABOUT THE BUSINESS

The business:

- Is a limited liability company. If there is more than one type of limited liability company in the country, the limited liability form most popular among domestic firms is chosen. Information on the most popular form is obtained from incorporation lawyers or the statistical office.
- Operates in the economy's selected cities.
- Is 100% domestically owned and has 5 owners, none of whom is a legal entity.
- Has start-up capital of 10 times income per capita at the end of 2006, paid in cash.
- Performs general industrial or commercial activities, such as the production or sale of products or services to the public. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.

- Leases the commercial plant and offices and is not a proprietor of real estate.
- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees 1 month after the commencement of operations, all of them nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

## PROCEDURES

A procedure is defined as any interaction of the company founder with external parties (for example, government agencies, lawyers, auditors or notaries). Interactions between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building but in different offices are counted as separate procedures. If founders have to visit the same office several times for different sequential procedures, each is counted separately. The founders are assumed to complete all procedures themselves, without middlemen, facilitators, accountants or lawyers, unless the use of such a third party is mandated by law. If the services of professionals are required, procedures conducted by such professionals on behalf of the company are counted separately.

Both pre- and postincorporation procedures that are officially required for an entrepreneur to formally operate a business are recorded.

Procedures required for official correspondence or transactions with public agencies are also included. For example, if a company seal or stamp is required on official documents, such as tax declarations, obtaining the seal or stamp is counted. Similarly, if a company must open a bank account before registering for sales tax or value added tax, this transaction is included as a procedure. Shortcuts are counted only if they fulfill 4 criteria: they are legal, they are available to the general public, they are used by the majority of companies, and avoiding them causes substantial delays.

Only procedures required of all businesses are covered. Industry-specific procedures are excluded. For example, procedures to comply with environmental regulations are included only when they apply to all businesses conducting general commercial or industrial activities. Procedures that the company undergoes to connect to electricity, water, gas and waste disposal services are not included.

## TIME

Time is recorded in calendar days. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day (that is, simultaneous procedures start on consecutive days). A procedure is considered completed once the company has received the final document, such as the company registration certificate or tax number. If a procedure can be accelerated for an additional cost, the fastest procedure is chosen. It is assumed that the entrepreneur does not waste time and commits to completing each remaining procedure without delay. The time that the entrepreneur spends on gathering information is ignored. It is assumed that the entrepreneur is aware of all entry regulations and their sequence from the beginning but has had no prior contact with any of the officials.

## COST

Cost is recorded as a percentage of the country's income per capita. It includes all official fees and fees for legal or professional services if such services are required by law. Fees for purchasing and legalizing company books are included if these transactions are required by law. The company law, the commercial code and specific regulations and fee schedules are used as sources for calculating costs. In the absence of fee schedules, a government officer's estimate is taken as an official source. In the absence of a government officer's estimate, estimates of incorporation lawyers are used. If several incorporation lawyers provide different estimates, the median reported value is applied. In all cases the cost excludes bribes.

## PAID-IN MINIMUM CAPITAL

The paid-in minimum capital requirement reflects the amount that the entrepreneur needs to deposit in a bank before registration and up to 3 months following incorporation and is recorded as a percentage of the country's income per capita. The amount is typically specified in the commercial code or the company law. Many countries have a minimum capital requirement but allow businesses to pay only a part of it before registration, with the rest to be paid after the first year of operation. In Germany in June 2007 the minimum capital requirement for limited liability companies was €25,000, of which at least €12,500 was payable before registration. The paid-in mini-

um capital recorded for Germany is therefore €12,500, or 42.8% of income per capita. In Serbia the minimum capital requirement was €500, of which only half needed to be paid before registration. The paid-in minimum capital recorded for Serbia is therefore €250, or 8% of income per capita.

*This methodology was developed in Djankov and others (2002) and is adopted here with minor changes.*

## DEALING WITH CONSTRUCTION PERMITS

*Doing Business* records all procedures required for a business in the construction industry to build a standardized warehouse. These procedures include submitting all relevant project-specific documents (for example, building plans and site maps) to the authorities; obtaining all necessary clearances, licenses, permits and certificates; completing all required notifications; and receiving all necessary inspections. *Doing Business* also records procedures for obtaining all utility connections. Procedures necessary to register the property so that it can be used as collateral or transferred are also counted. The survey divides the process of building a warehouse into distinct procedures and calculates the time and cost of completing each procedure in practice under normal circumstances.

Information is collected from experts in construction licensing, including architects, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations, including approvals and inspections. To make the data comparable across countries, several assumptions about the business, the warehouse project and the procedures are used.

## ASSUMPTIONS ABOUT THE CONSTRUCTION COMPANY

The business (BuildCo):

- Is a limited liability company.
- Operates in the economy's selected cities.
- Is 100% domestically and privately owned.
- Has 5 owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.
- Has 60 builders and other employees, all of them nationals with the technical

expertise and professional experience necessary to obtain construction permits and approvals.

- Has at least 1 employee who is a licensed architect and registered with the local association of architects.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability insurance).
- Owns the land on which the warehouse is built.

### ASSUMPTIONS ABOUT THE WAREHOUSE PROJECT

The warehouse:

- Has 2 stories, both above ground, with a total surface of approximately 14,000 square feet (1,300.6 square meters). Each floor is 9 feet, 10 inches (3 meters) high.
- Has road access and is located in the periurban area of the country's most populous city (that is, is on the fringes of the city but still within its official limits). It is not located in a special economic or industrial zone.
- Is located on a land plot of 10,000 square feet (929 square meters) that is 100% owned by BuildCo and is registered in the cadastre and land registry.
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to the following utilities—electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will require a 10-ampere power connection and 140 kilowatts of electricity.
- Will require up to 100 cubic meters of water daily.
- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will include all technical equipment required to make the warehouse fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

### PROCEDURES

A procedure is any interaction of the company's employees or managers with external parties, including government agencies, notaries, the land registry, the cadastre, utility companies, public and private inspectors and technical experts apart from in-house architects and engineers. Interactions between company employees, such as development of the warehouse plans and inspections conducted by employees, are not counted as procedures. Procedures that the company undergoes to connect to electricity, water, sewerage and phone services are included. All procedures that are legally or in practice required for building a warehouse are counted, even if they may be avoided in exceptional cases.

### TIME

Time is recorded in calendar days. The measure captures the median duration that local experts indicate is necessary to complete a procedure in practice. It is assumed that the minimum time required for each procedure is 1 day. If a procedure can be accelerated legally for an additional cost, the fastest procedure is chosen. It is assumed that BuildCo does not waste time and commits to completing each remaining procedure without delay. The time that BuildCo spends on gathering information is ignored. It is assumed that BuildCo is aware of all building requirements and their sequence from the beginning.

### COST

Cost is recorded as a percentage of the country's income per capita. Only official costs are recorded. All the fees associated with completing the procedures to legally build a warehouse are recorded, including those associated with obtaining land use approvals and preconstruction design clearances; receiving inspections before, during and after construction; getting utility connections; and registering the warehouse property. Nonrecurring taxes required for the completion of the warehouse project also are recorded. The building code, information from local experts and specific regulations and fee schedules are used as sources for costs. If several local partners provide different estimates, the median reported value is used.

### REGISTERING PROPERTY

*Doing Business* records the full sequence of procedures necessary when a business purchases land and a building to transfer the property title from another business so that the buyer can use the property for expanding its business, as collateral in taking new loans or, if necessary, to sell to another business. Every procedure required by law or necessary in practice is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf. Local property lawyers, notaries and property registries provide information on procedures as well as the time and cost to complete each of them.

To make the data comparable across countries, several assumptions about the parties to the transaction, the property and the procedures are used.

### ASSUMPTIONS ABOUT THE PARTIES

The parties (buyer and seller):

- Are limited liability companies.
- Are located in the periurban area of the economy's selected cities.
- Are 100% domestically and privately owned.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

### ASSUMPTIONS ABOUT THE PROPERTY

The property:

- Has a value of 50 times income per capita. The sale price equals the value.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of land and a building. The land area is 6,000 square feet (557.4 square meters). A 2-story warehouse of 10,000 square feet (929 square meters) is located on the land. The warehouse is 10 years old, is in good condition and complies with all safety standards, building codes and other legal requirements. The property of land and building will be transferred in its entirety.
- Will not be subject to renovations or additional building following the purchase.

- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants (legal or illegal), and no other party holds a legal interest in it.

### PROCEDURES

A procedure is defined as any interaction of the buyer or the seller, their agents (if an agent is legally or in practice required) or the property with external parties, including government agencies, inspectors, notaries and lawyers. Interactions between company officers and employees are not considered. All procedures that are legally or in practice required for registering property are recorded, even if they may be avoided in exceptional cases. It is assumed that the buyer follows the fastest legal option available and used by the majority of property owners. Although the buyer may use lawyers or other professionals where necessary in the registration process, it is assumed that it does not employ an outside facilitator in the registration process unless legally or in practice required to do so.

### TIME

Time is recorded in calendar days. The measure captures the median duration that property lawyers, notaries or registry officials indicate is necessary to complete a procedure. It is assumed that the minimum time required for each procedure is 1 day. Although procedures may take place simultaneously, they cannot start on the same day. It is assumed that the buyer does not waste time and commits to completing each remaining procedure without delay. If a procedure can be accelerated for an additional cost, the fastest legal procedure available and used by the majority of property owners is chosen. If procedures can be undertaken simultaneously, it is assumed that they are. It is assumed that the parties involved are aware of all regulations and their sequence from the beginning. Time spent on gathering information is not considered.

### COST

Cost is recorded as a percentage of the property value, assumed to be equivalent to 50 times income per capita. Only official costs required by law are recorded, including fees, transfer taxes, stamp duties and any other payment to the property registry, notaries, public agencies or lawyers. Other taxes, such as capi-

tal gains tax or value added tax, are excluded from the cost measure. Both costs borne by the buyer and those borne by the seller are included. If cost estimates differ among sources, the median reported value is used.

## TRADING ACROSS BORDERS

*Doing Business* compiles procedural requirements for exporting and importing a standardized cargo of goods by ocean transport. Every official procedure for exporting and importing the goods is recorded—from the contractual agreement between the 2 parties to the delivery of goods—along with the time and cost necessary for completion. All documents required for clearance of the goods across the border are also recorded. For exporting goods, procedures range from packing the goods at the factory to their departure from the port of exit. For importing goods, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the factory warehouse. Payment is made by letter of credit.

Local freight forwarders, shipping lines, customs brokers and port officials provide information on required documents and cost as well as the time to complete each procedure. Inland transport costs are based on number of kilometers. The time to obtain a letter of credit refers to a first time application and any documentation between the shipper and trader is excluded.

### ASSUMPTIONS ABOUT THE BUSINESS

The business:

- Has 60 or more employees.
- Is located in the economy's selected cities.
- Is a private, limited liability company. It does not operate within an export processing zone or an industrial estate with special export or import privileges.
- Is domestically owned with no foreign ownership.
- Exports more than 10% of its sales.

### ASSUMPTIONS ABOUT THE TRADED GOODS

- The traded product travels in a dry-cargo, 20-foot, full container load. The product:
  - Is not hazardous nor does it include military items.
  - Does not require refrigeration or any other special environment.
  - Does not require any special phytosanitary or environmental safety standards other than accepted international standards.

### DOCUMENTS

All documents required to export and import the goods are recorded. It is assumed that the contract has already been agreed upon and signed by both parties. Documents include bank documents, customs declaration and clearance documents, port filing documents, import licenses and other official documents exchanged between the concerned parties. Documents filed simultaneously are considered different documents but with the same time frame for completion.

### TIME

Time is recorded in calendar days. The time calculation for a procedure starts from the moment it is initiated and runs until it is completed. If a procedure can be accelerated for an additional cost, the fastest legal procedure is chosen. It is assumed that neither the exporter nor the importer wastes time and that each commits to completing each remaining procedure without delay. Procedures that can be completed in parallel are measured as simultaneous. The waiting time between procedures—for example, during unloading of the cargo—is included in the measure.

### COST

Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes. Only official costs are recorded.

*This methodology was developed by Djankov, Freund and Pham (2008) and is adopted here with minor changes.*



*Doing  
business*  
indicators



Starting a business					Dealing with construction permits				
	Procedures (number)	Time (days)	Cost (% of income per capita)	Ease of starting a business (rank)		Procedures (number)	Time (days)	Cost (% of income per capita)	Ease of dealing with construction permits (rank)
Irkutsk	13	23	1.9	3		26	304	487.4	3
Kazan	10	34	1.3	2		23	350	396.1	2
Moscow	9	30	2.7	8		54	704	2,612.8	10
Perm	10	36	2.2	10		24	263	1,060.2	3
Petrozavodsk	10	37	2.1	6		28	365	270.3	3
Rostov-on-Don	13	22	1.6	1		22	194	272.9	1
Saint-Petersburg	11	29	2.2	9		29	299	2,116.2	8
Tomsk	13	24	2.2	7		44	233	502.1	6
Tver	10	27	2.1	3		26	390	826.9	7
Voronezh	14	24	1.8	5		48	1,207	399.1	9



	Registering property				Trading across borders						
	Procedures (number)	Time (days)	Cost (% of property value)	Ease of registering property (rank)	Documents for export (number)	Time for export (days)	Cost to export (US\$ per container)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per container)	Ease of trading (rank)
Irkutsk	6	51	0.24	8	8	31	1,225	13	35	1,450	6
Kazan	5	80	0.15	2	8	24	1,550	13	27	1,650	9
Moscow	6	52	0.2	7	8	36	2,150	13	36	2,150	10
Perm	6	51	0.2	3	8	31	1,600	13	25	1,600	8
Petrozavodsk	7	52	0.18	3	8	27	1,050	13	35	933	2
Rostov-on-Don	5	61	0.35	10	8	27	1,288	13	25	1,347	2
Saint-Petersburg	6	117	0.17	6	8	26	1,350	13	24	1,400	1
Tomsk	6	47	0.24	5	8	28	1,250	13	34	1,318	4
Tver	6	48	0.16	1	8	28	1,460	13	24	1,588	5
Voronezh	5	56	0.27	9	8	28	1,660	13	23	1,660	7

<b>Irkutsk</b>		<b>Ease of doing business (rank)</b>	
Irkutsk Oblast		6	
<b>Starting a business (rank)</b>	3	<b>Registering property (rank)</b>	8
Procedures (number)	13	Procedures (number)	6
Time (days)	23	Time (days)	51
Cost (% of income per capita)	1.9	Cost (% of property value)	0.24
<b>Dealing with construction permits (rank)</b>	3	<b>Trading across borders (rank)</b>	6
Procedures (number)	26	Documents to export (number)	8
Time (days)	304	Time to export (days)	31
Cost (% of income per capita)	487.4	Cost to export (US\$ per container)	1,225
		Documents to import (number)	13
		Time to import (days)	35
		Cost to import (US\$ per container)	1,450
<b>Kazan</b>		<b>Ease of doing business (rank)</b>	
Republic of Tatarstan		1	
<b>Starting a business (rank)</b>	2	<b>Registering property (rank)</b>	2
Procedures (number)	10	Procedures (number)	5
Time (days)	34	Time (days)	80
Cost (% of income per capita)	1.3	Cost (% of property value)	0.15
<b>Dealing with construction permits (rank)</b>	2	<b>Trading across borders (rank)</b>	9
Procedures (number)	23	Documents to export (number)	8
Time (days)	350	Time to export (days)	24
Cost (% of income per capita)	396.1	Cost to export (US\$ per container)	1,550
		Documents to import (number)	13
		Time to import (days)	27
		Cost to import (US\$ per container)	1,650
<b>Moscow</b>		<b>Ease of doing business (rank)</b>	
		10	
<b>Starting a business (rank)</b>	8	<b>Registering property (rank)</b>	7
Procedures (number)	9	Procedures (number)	6
Time (days)	30	Time (days)	52
Cost (% of income per capita)	2.7	Cost (% of property value)	0.2
<b>Dealing with construction permits (rank)</b>	10	<b>Trading across borders (rank)</b>	10
Procedures (number)	54	Documents to export (number)	8
Time (days)	704	Time to export (days)	36
Cost (% of income per capita)	2,612.8	Cost to export (US\$ per container)	2,150
		Documents to import (number)	13
		Time to import (days)	36
		Cost to import (US\$ per container)	2,150
<b>Perm</b>		<b>Ease of doing business (rank)</b>	
Perm Krai		7	
<b>Starting a business (rank)</b>	10	<b>Registering property (rank)</b>	3
Procedures (number)	10	Procedures (number)	6
Time (days)	36	Time (days)	51
Cost (% of income per capita)	2.2	Cost (% of property value)	0.2
<b>Dealing with construction permits (rank)</b>	3	<b>Trading across borders (rank)</b>	8
Procedures (number)	24	Documents to export (number)	8
Time (days)	263	Time to export (days)	31
Cost (% of income per capita)	1,060.2	Cost to export (US\$ per container)	1,600
		Documents to import (number)	13
		Time to import (days)	25
		Cost to import (US\$ per container)	1,600

<b>Petrozavodsk</b>		<b>Ease of doing business (rank)</b>	
Republic of Karelia		3	
<b>Starting a business (rank)</b>	6	<b>Registering property (rank)</b>	3
Procedures (number)	10	Procedures (number)	7
Time (days)	37	Time (days)	52
Cost (% of income per capita)	2.1	Cost (% of property value)	0.18
<b>Dealing with construction permits (rank)</b>	3	<b>Trading across borders (rank)</b>	2
Procedures (number)	28	Documents to export (number)	8
Time (days)	365	Time to export (days)	27
Cost (% of income per capita)	270.3	Cost to export (US\$ per container)	1,050
		Documents to import (number)	13
		Time to import (days)	35
		Cost to import (US\$ per container)	933
<b>Rostov-on-Don</b>		<b>Ease of doing business (rank)</b>	
Rostov Oblast		4	
<b>Starting a business (rank)</b>	1	<b>Registering property (rank)</b>	10
Procedures (number)	13	Procedures (number)	5
Time (days)	22	Time (days)	61
Cost (% of income per capita)	1.6	Cost (% of property value)	0.35
<b>Dealing with construction permits (rank)</b>	1	<b>Trading across borders (rank)</b>	2
Procedures (number)	22	Documents to export (number)	8
Time (days)	194	Time to export (days)	27
Cost (% of income per capita)	272.9	Cost to export (US\$ per container)	1,288
		Documents to import (number)	13
		Time to import (days)	25
		Cost to import (US\$ per container)	1,347
<b>St. Petersburg</b>		<b>Ease of doing business (rank)</b>	
		8	
<b>Starting a business (rank)</b>	9	<b>Registering property (rank)</b>	6
Procedures (number)	11	Procedures (number)	6
Time (days)	29	Time (days)	117
Cost (% of income per capita)	2.2	Cost (% of property value)	0.17
<b>Dealing with construction permits (rank)</b>	8	<b>Trading across borders (rank)</b>	1
Procedures (number)	29	Documents to export (number)	8
Time (days)	299	Time to export (days)	26
Cost (% of income per capita)	2,116.2	Cost to export (US\$ per container)	1,350
		Documents to import (number)	13
		Time to import (days)	24
		Cost to import (US\$ per container)	1,400
<b>Tomsk</b>		<b>Ease of doing business (rank)</b>	
Tomsk Oblast		5	
<b>Starting a business (rank)</b>	7	<b>Registering property (rank)</b>	5
Procedures (number)	13	Procedures (number)	6
Time (days)	24	Time (days)	47
Cost (% of income per capita)	2.2	Cost (% of property value)	0.24
<b>Dealing with construction permits (rank)</b>	6	<b>Trading across borders (rank)</b>	4
Procedures (number)	44	Documents to export (number)	8
Time (days)	233	Time to export (days)	28
Cost (% of income per capita)	502.1	Cost to export (US\$ per container)	1,250
		Documents to import (number)	13
		Time to import (days)	34
		Cost to import (US\$ per container)	1,318

<b>Tver</b>		<b>Ease of doing business (rank)</b>	
Tver Oblast		2	
<b>Starting a business (rank)</b>	3	<b>Registering property (rank)</b>	1
Procedures (number)	10	Procedures (number)	6
Time (days)	27	Time (days)	48
Cost (% of income per capita)	2.1	Cost (% of property value)	0.16
<b>Dealing with construction permits (rank)</b>	7	<b>Trading across borders (rank)</b>	5
Procedures (number)	26	Documents to export (number)	8
Time (days)	390	Time to export (days)	28
Cost (% of income per capita)	826.9	Cost to export (US\$ per container)	1,460
		Documents to import (number)	13
		Time to import (days)	24
		Cost to import (US\$ per container)	1,588
<b>Voronezh</b>		<b>Ease of doing business (rank)</b>	
Voronezh Oblast		9	
<b>Starting a business (rank)</b>	5	<b>Registering property (rank)</b>	9
Procedures (number)	14	Procedures (number)	5
Time (days)	24	Time (days)	56
Cost (% of income per capita)	1.8	Cost (% of property value)	0.27
<b>Dealing with construction permits (rank)</b>	9	<b>Trading across borders (rank)</b>	7
Procedures (number)	48	Documents to export (number)	8
Time (days)	1,207	Time to export (days)	28
Cost (% of income per capita)	399.1	Cost to export (US\$ per container)	1,660
		Documents to import (number)	13
		Time to import (days)	23
		Cost to import (US\$ per container)	1,660
		Cost to import (US\$ per container)	1,660

# List of procedures

## Starting a business

*Legal form: Private Limited Liability Company (LLC)*

*Minimum capital requirement: 10,000 rubles fully paid in during the first year of operations; 50% (5,000 rubles) should be paid in before the state registration*

*Parallel procedures: 1-2-3, 5-6-7-8-9, 12-13*

	<b>Generalized procedure</b>	<b>Agency or Organization involved</b>	<b>Time to complete (working days)</b>	<b>Cost to complete (rubles)<sup>1</sup></b>	<b>Comments</b>
1	Deposit charter capital – opening of temporary bank account	Bank, at own choice	1-2	5,000	50% at registration, minimum capital requirement 10,000 rubles
2	Payment of the state registration fee for the state registration of a new company (a legal entity)	Bank, at own choice	1	- [see #4]	State fee is paid in bank
3	Notarization of signature on an application form for the state registration	Notary, at own choice	1	200	
4	State registration of an LLC – register in the Unified State Registry of Legal Entities and assignment of the Taxpayer's Identification Number	Tax inspection – usually a district one	5	2,000	Procedures 4-7 can be completed within a one-stop shop
5	Registration with the Social Security Fund	Social Security Fund	1-2	0	
6	Registration with the Pension Fund	Pension Fund	1-2	0	
7	Registration with the Mandatory Medical Insurance Fund	Mandatory Medical Insurance Fund	1-2	0	
8	Production of a company's seal	Seal producer, at own choice	1-2	150 - 900	A company seal is mandatory to open a bank account
9	Registration with the Federal State Statistics Service and receipt of an information letter	Federal State Statistic Service ( <i>Rosstat</i> )	1-2	0	An information letter is mandatory to open a bank account
10	Notarization of statutory documents to open a bank account and notarization of signatures on a bank card	Notary, at own choice	1	About 1,220	Usually: Signatures on bank card: 200 rubles each signature Statutory documents: 500 rubles for a charter and for a founding agreement each, despite the number of pages, or 10-20 rubles for 1 page State registration certificate: 10 rubles Taxpayer registration certificate: 10 rubles  Bank can also notarize all necessary documents, eliminating the need for a notary office. The choice is either the client's or the bank's.
11	Opening of a bank account	Bank at own choice	1-3	0 – 3,500	
12	Notification of the Federal Tax Service about a bank account number	Can be mailed	1	0 or post expense	Standard form is used
13	Registration with an employment center and/or issuance of labor books for employees	Employment Center	1	0	Not in all cities

1. Notaries (to a certain extent), banks and company seal producers are private enterprises and set up prices themselves.

### Procedures required to start a business, by city

Time (days), cost (rubles)

		Irkutsk	Kazan	Moscow	Perm	Petrozavodsk	Rostov-on-Don	St. Petersburg	Tomsk	Tver	Voronezh
Notarize signatures on foundation documents	TIME COST			1 2,600				1 600			
Deposit capital	TIME COST	3 0	2 0	1 0	1 0	2 0	1 0	3 0	2 0	2 0	1 0
Pay registration fee	TIME COST	1 0	1 0	1 0	1 0	1 0	1 0	1 0	1 0	1 0	1 0
Notarize applicant's signature	TIME COST	1 200	1 200		1 250	1 200	1 200	1 200	1 1,000	1 200	1 200
Register with the State Tax Inspectorate	TIME COST	8 2,000	18 2,000	18 2,000	22 2,000	21 2,000	8 2,400	14 2,000	8 2,000	11 2,000	8 2,000
Obtain Taxpayer's Identification Number	TIME COST										1 0
Check of the legal address by the registration office (Kazan only)	TIME COST		1 0								
Register with the Social Security Fund	TIME COST	1 0					1 0		1 0		1 0
Register with the Pension Fund	TIME COST	1 0					1 0		1 0		1 0
Register with the Mandatory Medical Insurance Fund	TIME COST	1 0					1 0		1 0		1 0
Order a company's seal	TIME COST	1 600	1 400	1 400	1 700	1 800	2 525	1 400	2 575	2 350	1 290
Register with the Federal State Statistics Service	TIME COST	2 0	3 0		1 0	1 0	2 0	1 0	1 0	5 360	1 0
Notarize the statutory documents, state registration and Taxpayer Identification Number certificate; notarize signatures on bankcard	TIME COST	1 1,420		1 1,200	1 1,560	1 500	1 420	1 1,200	1 1,020	1 1,060	1 1,060
Open the company bank account	TIME COST	3 0	3 400	1 0	3 600	2 1200	1 0	3 500	3 400	1 900	1 600
Inform the State Tax Inspectorate of the bank account number	TIME COST	1 0	4 0	5 0	4 0	7 0	1 0	4 0	1 0	4 0	4 0
Register with an employment center and/or obtain labor books for employees	TIME COST	1 0	1 0	1 0	1 0	1 0	1 0	1 0	1 0	1 0	1 0

Source: Doing Business database.





## Dealing with construction permits: building a warehouse (continued)

Time (days), cost (rubles)

		Irkutsk	Kazan	Moscow	Perm	Petrozavodsk	Rostov -on-Don	St. Petersburg	Tomsk	Tver	Voronezh
<b>Pre-construction procedures (continued)</b>											
Approval of conditions for designs by local government	TIME COST			7 0							365 N/A
Technical conditions for fire prevention *	TIME COST		21 0	14 14,728	21 0	8 1,500	7 0	10 0	14 0		15 0
Approval of conditions for technical examinations of designs (Expertiza) *	TIME COST			14 7,364							
Land survey approval*	TIME COST			15 36,700	15 3,900						
Conditions for designs with Sanitary Services (Rosпотребнадзор) *	TIME COST		21 0	30 13,800	21 0	7 300	14 15,612		1 0	30 3,000	14 0
Receive inspection from Rospotrebnadzor	TIME COST								1 0		1 2,500
Approval of Rospotrebnadzor	TIME COST								28 0		1 0
Transport routes, parking from City Transport Agency *	TIME COST		21 0	30 8,837	21 0				1 0		30 0
State Inspection of Road Safety (GIBBD) *	TIME COST		21 0	30 8,837	21 0		7 0		2 0		
Department of Comprehensive Well-Being of City*	TIME COST		21 0	30 4,600	21 0				14 0		14 0
Department of Nature Use under State Ecological Expertise*	TIME COST		21 0	21 29,455	21 0					45 30,000	5 0
Sketch No. 2 from City Geological Institute	TIME COST			30 10,100							30 50,000
Sketch No. 2 with city Architecture Committee	TIME COST			30 4,000							60 0
Construction passport from City Geological Unit	TIME COST			30 8,837							
Outline of Construction Arrangement and "GenPlan" from APU *	TIME COST			30 6,500		14 0					
Outline of Construction Arrangement and "GenPlan" from Prefecture *	TIME COST			30 0		30 0					
Outline of Construction Arrangement and "GenPlan" from GenPlan Institute *	TIME COST	1 0		30 12,200							
Certificate of approval of the design	TIME COST	60 0	30 0	30 3,600			30 0		1 0		30 0
Approval of project by the State Expertise (Third Party Review)	TIME COST			60 58,000							
Construction permit	TIME COST	60 0	14 0	10 11,460	45 0	120 0	14 0	30 0	10 0	30 0	25 0
Notify about commencement of construction works	TIME COST				9 0		7 0	7 0	1 0	7 0	7 0

\* Takes place simultaneously with another procedure.

## Dealing with construction permits: building a warehouse (continued)

Time (days), cost (rubles)

		Irkutsk	Kazan	Moscow	Perm	Petrozavodsk	Rostov -on-Don	St. Petersburg	Tomsk	Tver	Voronezh
<b>Procedures during construction</b>											
Inspection during foundation works	TIME	1		1					1		
	COST	0		0					0		
Inspection during structure works	TIME			1		1			1		1
	COST			0		0			0		0
Inspection during engineering works	TIME	14		1							
	COST	15,000		0							
Inspection by Union of Administrative Technical Inspection (UATI) - I	TIME	1		1							
	COST	0		0							
Inspection by Union of Administrative Technical Inspection (UATI) - II	TIME	1		1							
	COST	0		0							
Inspection by Union of Administrative Technical Inspection (UATI) - III	TIME	1		1							
	COST	0		0							
Inspection by Union of Administrative Technical Inspection (UATI) - IV	TIME	1		1							
	COST	0		0							
Inspection by Union of Administrative Technical Inspection (UATI) - V	TIME			1							
	COST			0							
Inspection by Union of Administrative Technical Inspection (UATI) - VI	TIME			1							
	COST			0							
Inspection by Union of Administrative Technical Inspection (UATI) -VII	TIME			1							
	COST			0							
<b>Utility connection</b>											
Request water and sewage connection	TIME	1				1	1	7	2	1	1
	COST	0				0	0	0	2,000	0	0
Receive inspection from municipal enterprise on water and sewage maintenance/ approval	TIME	1				1	1	10	1		14
	COST	0				0	0	0	0		0
Sign agreement on water and sewage supply	TIME							9	1		
	COST							0	0		
Permit for connecting to engineer -technical mains	TIME							14	1	30	2
	COST							0	0	5,000	0
Approval for drinking water from Sanitary Services	TIME							14	1	28	3
	COST							0	0	1	0
Connect to water services *	TIME	13	29	30	7	60	28	21	1	30	29
	COST	26,000	200,000	0	0	1,500	13,000	0	200,000	5,000	200,000
Receive inspection from electricity distribution company	TIME							1	1	1	2
	COST							0	0	0	0
Request and receive inspection from Energy Supervision *	TIME	3	1	1	1	1	1	2	10	30	2
	COST	0	0	0	0	0	0	0	0	0	0
Connect to electricity –sign agreement with electricity distribution company*	TIME	3	7	14	21	60	29	2	1	30	30
	COST	910,000	1,226,008	5,490,520	2,107,980	559,666	479,416	4,628,400	273,260	1,750,000	492,000
Receive inspection from telephone company	TIME					1			2		
	COST					0			0		
Request and connect to telephone services*	TIME	2	10	5	14	45	30	28	14	10	10
	COST	10,620	48,000	3,000	10,000	500	10,000	4,000	3,000	1,000	48,000

\* Takes place simultaneously with another procedure.

## Dealing with construction permits: building a warehouse (continued)

Time (days), cost (rubles)

		Irkutsk	Kazan	Moscow	Perm	Petrozavodsk	Rostov -on-Don	St. Petersburg	Tomsk	Tver	Voronezh
<b>Post-construction</b>											
Certificate of Department of Architecture, City Plan	TIME COST	1 0			1 0						
Request and convene Acceptance Commission	TIME COST	30 0		30 0	1 0	60 10,000	11 0			20 0	3 0
Request inspection from Sanitary Services for Occupancy Permit	TIME COST					1 0					1 0
Receive inspection from Sanitary Service and obtain approval	TIME COST					14 0					1 3,500
Request inspection from Fire Department for Occupancy Permit	TIME COST					1 0					1 0
Receive inspection from Fire Department and obtain approval	TIME COST					14 0					2 0
Approval of topographic survey w/ utility connections	TIME COST								16 15,000		
Occupancy permit	TIME COST	1 0	15 0	10 0	28 0	30 0	10 0	15 0	10 0	10 0	15 0
Plans from Bureau of Technical Inventory (BTI)	TIME COST	3 66,606	3 30,000	30 55,000	30 15,000	30 8,000	7 60,000	1 60,000	3 65,000	30 30,000	1 60,000
Register the building after completion	TIME COST	30 7,500	30 6,500	30 7,500	30 7,500	30 7,500	30 7,500	30 7,500	30 7,500	30 7,500	30 7,500

Source: Doing Business database.

## Registering property

Property value: 11,370,240 rubles

Parallel procedures: 1-5

	<b>Generalized procedure</b>	<b>Agency or organization involved</b>	<b>Time to complete (working days)</b>	<b>Cost to complete</b>	<b>Comment</b>
1	Seller obtains the technical passport at the organizations of technical inventory	Organizations of technical inventory	3 days - 1 month	10-20 rubles for 1 sq.m. of building	Price by agreement
2	Seller obtains the cadastral plan of the land plot in the regional department of the Federal Cadastre Agency	The Federal Cadastre Agency	14 days - 1 month	150 – 300 rubles	Price is regulated by regional legislation
3	Seller obtains the excerpts from the Unified State Register of Real Estate Property	The Federal Registration Service	1 - 2 days	300 rubles for legal entities, 100 rubles for physical person	Usually not requested by the Federal Registration Service, but it may be obtained at Buyer's request to help mitigate risk
4	Buyer/Seller obtains an excerpt from the Unified State Register of Legal Entities containing the information about Seller/Buyer	Tax inspection	1 - 5 days	200 rubles for 1 excerpt, 400 rubles for expedited procedure	Usually not requested by the Federal Registration Service, but it may be obtained to help mitigate risk
5	Notarization of corporate documents by Seller and Buyer	Notary	1 day	10 rubles per page to 500 rubles per a document	Not mandatory. The Federal Registration Service has the right to notarize copies of documents in presence of originals at the discretion of the officer of the Registration Service
6	Registration of the transfer of the building and the land plot at the regional department of the Federal Registration Service	The Federal Registration Service	1 month	15,000 rubles	7,500 rubles (land plot) + 7500 rubles (building)

### Procedures required to register property, by city

Time (days), cost (rubles)

		Irkutsk	Kazan	Moscow	Perm	Petrozavodsk	Rostov-on-Don	St. Petersburg	Tomsk	Tver	Voronezh
Seller obtains technical passport at the organizations of technical inventory	TIME	19	60	19	30	3	35	3	17	3	7
	COST	10,400	1,200	1,494	6,500	2,420	25,000	2,600	10,000	2,600	15,000
Seller obtains a plan-certificate ("plan-spravka") at the Republican State Center "Nedvizhimost" (Petrozavodsk only)	TIME					11					
	COST					1,750					
Seller obtains the cadastral plan at the Federal Cadastre Agency	TIME	20	19	19	19	18	30	19	14	17	25
	COST	29	6	5,472		500	60	6	18	12	5
Seller obtains the extracts from the Unified State Register of Real Estate Property	TIME	4	1	7	3	2	2	2	2	5	6
	COST	300	300	300	300	300	300	350	300	300	300
Buyer or Seller obtains the extract from Unified State Register of Legal Entities containing the information about Seller/Buyer	TIME	1	3	1	1	3	3	1	5	5	6
	COST	400	200	400	400	200	200	400	400	200	200
Notarization of corporate documents by Seller and Buyer	TIME	2		2	1	1		2	2	1	
	COST	1,060		500	500	550		500	1,060	550	
Registration of the transfer of the building and the land plot at the regional department of the Federal Registration Service	TIME	30	20	30	30	30	30	95	30	30	30
	COST	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000

Source: Doing Business database.

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